

Court File No.: CV -

**ONTARIO SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE *COMPANIES' CREDITORS*
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS
AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE
OR ARRANGEMENT OF SYNAPTIVE MEDICAL INC.**

**PRE-FILING REPORT OF THE PROPOSED MONITOR
RICHTER INC.**

MARCH 18, 2025

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1.0 INTRODUCTION

- 1.1 Richter Inc. (“**Richter**” or the “**Proposed Monitor**”) understands that Synaptive Medical Inc. (“**Synaptive**” or the “**Applicant**”) intends to make an application to the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) for an order (the “**Initial Order**”) granting, among other things, a stay of proceedings pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), and appointing Richter as Monitor of the Applicant (the “**Monitor**”). The proceedings to be commenced by the Applicant under the CCAA are referred to herein as the “**CCAA Proceedings**”.
- 1.2 The Applicant is a privately-held medical device and technology company specializing in neuro-imaging and precision intervention. The Applicant is incorporated under the Ontario *Business Corporations Act*, R.S.O 1990, c.B.16, as amended. Richter understands that Synaptive’s subsidiaries, including Synaptive Medical USA, Inc., Synaptive Medical International SA, Synaptive Medical (Barbados) Inc., Synaptive Medical (Australia) Pty Ltd., Synaptive Medical (Germany) GmbH, Synaptive Medical Denmark ApS, Synaptive Medical (UK) Ltd. and Synaptive Medical Pte. Ltd. (collectively the “**Synaptive Subsidiaries**” and with Synaptive, the “**Synaptive Group**”), do not hold operating assets and are primarily held for purposes of employing staff in other jurisdictions. The Synaptive Subsidiaries are not applicants in these CCAA Proceedings. A summarized chart of the corporate organizational structure of Synaptive is attached hereto as **Appendix “A”**.
- 1.3 Synaptive’s current head office and primary location are leased premises located at 555 Richmond Street West, Toronto, Ontario. However, Synaptive is in the process of moving

to leased premises at 5055 Satellite Drive, Mississauga, Ontario. Synaptive also leases a small manufacturing location in London, Ontario and a small distribution, maintenance and storage facility in Memphis, Tennessee.

- 1.4 Since completing its Series B round of financing in 2019, the Applicant has continued to fund on-going development of its medical technologies and operations through additional financing in its Espresso Facility (as defined below) and investments in its various convertible notes. Synaptive's capital structure is discussed more fully below.
- 1.5 For the twelve-month period ended December 31, 2024, the Synaptive Group's unaudited adjusted earnings before interest taxes and depreciation ("**ADJ EBITDA**") was approximately negative US\$17.3 million (an increase of 13% compared to the same prior year period) and the Synaptive Group's net earnings were negative US\$29.6 million (an increase of 11% compared to the same prior year period).
- 1.6 Despite improvements in its earnings, Synaptive's operating cash requirements and existing debt structure have negatively impacted Synaptive's ability to access additional funding. In addition, the threat of tariffs, retaliatory tariffs, and newly imposed tariffs have contributed to a liquidity crisis for Synaptive.
- 1.7 The Applicant is in default under the Espresso Facility (as defined below) and the EDC Convertible Notes (as defined below). The Fourth Amending Agreement to the Forbearance Agreement expired on March 12, 2025.
- 1.8 Export Development Canada ("**EDC**") has provided substantial financial support to the Applicant in recent years, including by advancing US\$3.5 million in secured loans under

the Espresso Facility. The aggregate obligations owing to EDC under the Espresso Facility and the EDC Convertible Notes is approximately US\$54.8 million. While EDC is supportive of the Applicant's business, the Proposed Monitor understands that EDC is not prepared to advance further funding to the Applicant except within the context of these CCAA Proceedings.

- 1.9 The Applicant's secured debt obligations of approximately US\$104.1 million include its indebtedness to EDC of approximately US\$54.8 million, approximately US\$50,000 and \$127,166 owing to Royal Bank of Canada ("**RBC**") in respect of a credit card facility (the "**RBC CC Facility**") and amounts owing to other investors under various convertible notes of approximately US\$49.1 million.
- 1.10 Synaptive is also indebted to the Federal Economic Development Agency for Southern Ontario in respect of an unsecured Regional Relief Recovery Loan ("**RRRF**") of approximately \$291,667.
- 1.11 The Applicant's cash flow and liquidity constraints have resulted in significant arrears owing to vendors, landlords and employees. As at March 14, 2025, Synaptive owed approximately \$15.2 million in accounts payable and accrued liabilities, including: (a) approximately \$8.8 million owing to vendors; (b) approximately \$0.4 million owing to landlords in respect of outstanding rent; (c) approximately \$1.1 million in unpaid wages; and (d) approximately \$2.2 million in respect of unpaid bonuses;
- 1.12 Synaptive is initiating these CCAA Proceedings in order to obtain a stay of proceedings during the initial 10-day stay period under the CCAA (the "**Initial Stay Period**") and to access interim funding that EDC is only prepared to provide in the context of the CCAA

Proceedings. The Proposed Monitor understands that the Applicant intends to use the breathing room afforded by the CCAA to conduct a court-approved sale and investment solicitation process (“SISP”) including soliciting bids for a sale and/or investment in respect of its business, assets and/or shares (all as further described below). The Applicant intends to seek certain relief with respect to the foregoing at the comeback hearing prior to the expiry of the Initial Stay Period (the “Comeback Hearing”) or shortly thereafter.

1.13 The purpose of this pre-filing report (the “Report”) is to provide the Court with information, and where applicable, the Proposed Monitor’s views on:

- (a) Richter’s qualifications to act as Monitor (if appointed);
- (b) background information with respect to Synaptive;
- (c) Synaptive’s secured and unsecured creditors;
- (d) Synaptive’s cash management system;
- (e) Synaptive’s Cash Flow Forecast (as defined below);
- (f) proposed interim funding arrangements with EDC during the Initial Stay Period;
- (g) the Court-ordered charges over the property and assets of the Applicant (the “Property”) sought by the Applicant in the Initial Order;
- (h) the Applicant’s proposed sale and investment solicitation process; and
- (i) the Proposed Monitor’s conclusions and recommendations in connection with the foregoing.

2.0 TERMS OF REFERENCE AND DISCLAIMER

2.1 In preparing this Report, Richter, in its capacity as the Proposed Monitor, has been provided with, and has relied upon, unaudited financial information, books and records,

and financial information prepared by Synaptive and has held discussions with management of Synaptive and its legal counsel (collectively, the “**Information**”). Except as otherwise described in this Report in respect of Synaptive’s Cash Flow Forecast:

- (a) the Proposed Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposed Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards (“CAS”) pursuant to the *Chartered Professional Accountants Canada Handbook* (the “**CPA Handbook**”) and, accordingly, the Proposed Monitor expresses no opinion or other form of assurance contemplated under CAS in respect of the Information; and
- (b) some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the CPA Handbook, has not been performed.

2.2 Future-oriented financial information referred to in this Report was prepared based on the Synaptive’s estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

2.3 This Report should be read in conjunction with the Affidavit of Magnus Momsen sworn on March 18, 2025 (the “**First Momsen Affidavit**”), in support of Synaptive’s application for relief under the CCAA, for additional background and other information regarding the

Applicant. Capitalized terms used and not defined in this Report have the meanings given to them in the First Momsen Affidavit.

2.4 Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

3.0 RICHTER'S QUALIFICATIONS TO ACT AS MONITOR

3.1 Richter was engaged to act as a consultant to Synaptive on August 18, 2023, and as such, the Proposed Monitor is familiar with the business, operations and financial circumstances of the Applicant. Richter is a trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada) and is not subject to any of the restrictions on who may be appointed as monitor set out in section 11.7(2) of the CCAA. None of Richter nor its affiliates have ever acted as the auditor of any member of the Synaptive Group.

3.2 The senior Richter professional personnel with carriage of this matter include experienced insolvency and restructuring practitioners who are Chartered Professional Accountants (Chartered Accountants), Chartered Insolvency and Restructuring Professionals, and Licensed Insolvency Trustees. These Richter professionals have previously acted in restructuring proceedings of a similar nature and complexity in Canada.

3.3 The Proposed Monitor has retained McMillan LLP to act as its independent legal counsel.

3.4 Richter has consented to act as Monitor of the Applicant on the terms set forth in the proposed Initial Order, should the Court grant the Applicant's request to commence the CCAA Proceedings.

4.0 BACKGROUND INFORMATION RELATING TO SYNAPTIVE

- 4.1 This Report summarizes certain background information in relation to Synaptive as it relates to Synaptive's application for the commencement of these CCAA Proceedings. Readers of this Report are advised to review in full the First Momsen Affidavit, which provides a comprehensive overview of the businesses, operations and financial circumstances of the Applicant and the intended purpose of the CCAA Proceedings.
- 4.2 Synaptive is a Canadian medical technology company that offers hardware and software products focused on surgical planning and navigation, robotic digital microscopy, and magnetic resonance imaging. For example, Synaptive offers an advanced surgical planning software solution that provides real-time 3D rendering of medical scan images and a robotic digital exoscope, all designed to improve surgical outcomes and qualities of life for neurosurgery patients. Further detail about Synaptive's various hardware and software products is included in the First Momsen Affidavit.
- 4.3 Synaptive's hardware and software products are primarily sold in Canada and the United States with some recent sales in Europe, Australia, Pakistan and South East Asia.
- 4.4 Synaptive's assets include its global intellectual property ("**IP**") consisting of more than 1,200 patents applications with more than 800 issued within the US, Canada, Europe, Australia, Japan, SE Asia and the Middle East (the "**Patent Assets**"). In addition to the Patent Assets, Synaptive's IP includes its patent licenses, trademarks and trade secrets including: exoscope calibration parameters, exoscope software for magnification, source code for image stabilization, MDA / SMI algorithms for arm movement, MRI magnet

manufacturing techniques, gradient coil manufacturing process and know-how, source code / software for pulse sequences for MRI.

- 4.5 Synaptive operates primarily from locations in Ontario and also has a small distribution, maintenance and storage facility in Memphis, Tennessee. All of Synaptive's operating locations are leased premises; the Applicant does not own any real property.
- 4.6 As described in the First Momsen Affidavit, Synaptive is indebted to certain of its landlords in respect of February and March, 2025 rent. As of the date of this Report, the Applicant owes approximately \$0.4 million to landlords in respect of outstanding rent. The Cash Flow Forecast contemplates payment of the pro-rata post-filing March rent to Synaptive's unpaid landlords.
- 4.7 As of March 14, 2025, Synaptive has approximately 189 hourly and salaried employees across Canada, the United States and various other countries. A summary of employees is contained in the First Momsen Affidavit. On March 4, 2025, the Synaptive Group issued temporary layoff notices to 149 employees and plans to recall 79 on March 24, 2025.
- 4.8 The First Momsen Affidavit extensively describes the operational and financial challenges experienced by Synaptive in recent years, the arrears owing to its vendors, trade creditors and other unsecured creditors, and the funding and liquidity issues that have necessitated the commencement of the CCAA Proceedings. In addition, the material uncertainty caused by the imposition of tariffs and the continued threat of new tariffs has added to Synaptive's more immediate liquidity crisis.

5.0 SECURED DEBT OBLIGATIONS

5.1 As of March 14, 2025, the Applicant has approximately \$104.1 million of outstanding secured debt, comprised of approximately US\$6 million in relation to the Espresso Facility, approximately US\$97.9 million in relation to three sets of convertible notes and approximately US\$50,000 and \$127,166 outstanding to RBC in respect of the RBC CC Facility.

Espresso Facility

5.2 As detailed in the First Momsen Affidavit, on or around December 23, 2020, Synaptive, as borrower, entered into a loan facility and security agreement (as amended from time to time, the “**Espresso Facility Agreement**”) with Espresso Capital Ltd. (“**Espresso Capital**”), pursuant to which Espresso Capital committed, subject to the terms and conditions therein, to advance US\$5,000,000 to Synaptive (the “**Espresso Facility**”). Espresso Capital acted as the administrative and collateral agent and Espresso Venture Debt LP (“**Espresso Venture**”) acted as the lender under the Espresso Facility.

5.3 Pursuant to the Espresso Facility Agreement, Synaptive granted Espresso Capital a security interest in all of its personal property, including all of its intellectual property (the “**Espresso Security**”).

5.4 In addition to Synaptive providing Espresso Capital with the Espresso Security, Synaptive Medical USA, Inc. (“**Synaptive USA**”) signed a guarantee in respect of all Synaptive’s obligations under the Espresso Facility (the “**Synaptive USA Guarantee**”). Synaptive USA

also executed an intellectual property security agreement in favour of Espresso Capital (the “**Synaptive USA IP Security Agreement**”).

- 5.5 On April 18, 2023, Espresso Capital, Espresso Venture and Synaptive entered into a first amendment to the Espresso Facility Agreement, under which they agreed to amend certain interest and other commercial terms of the Espresso Facility.
- 5.6 On August 30, 2023, Espresso Venture and Espresso Capital assigned to EDC all of their right, title and interest in and to, among other things, the Espresso Facility Agreement, the Espresso Security, the Synaptive USA Guarantee and the Synaptive USA IP Security Agreement (the “**Espresso Assignment**”).
- 5.7 Following the Espresso Assignment, on July 22, 2024, EDC and Synaptive entered into a second amendment to the Espresso Facility Agreement separating the Espresso Facility into two tranches: (i) a first tranche of US\$1.5 million, which Espresso Capital advanced prior to the Espresso Assignment; and (ii) a second tranche of US\$3.5 million (the “**Second Espresso Tranche**”). EDC advanced the Second Espresso Tranche in three payments in July, August and September 2024 in the amounts of US\$1.75 million, US\$1 million and US\$0.75 million respectively.
- 5.8 The Espresso Facility bears interest at a rate of 20% from and after July 22, 2024. The Espresso Facility was originally scheduled to mature on December 23, 2023 (in respect of the first tranche) and December 16, 2024 (in respect of the second tranche), but these dates were both subsequently extended on various occasions, most recently to March 12, 2025.

5.9 As of March 10, 2025, Synaptive’s indebtedness under the Espresso Facility is approximately US\$6.02 million.

Convertible Notes

5.10 Between December 2020 and December 2024, Synaptive has funded its operations and research and development of its surgical technologies through issuance of three convertible note securities (the “**Convertible Note Securities**”). Each of the Convertible Note Securities have varying liquidity preferences and other features.

5.11 At March 10, 2025, Synaptive owed approximately US\$97.9 million under its Convertible Note Securities as summarized below:

(in US\$'s)	Priority	Investors	Principal Issued	Accrued Interest	Total Outstanding
EDC Convertible Notes	1	EDC	40,000,000	8,788,892	48,788,892
EDC Convertible Notes	1	47 Investors	9,814,800	1,174,336	10,989,136
Total EDC Convertible Notes			49,814,800	9,963,228	59,778,028
BDC Convertible Notes	2	BDC	5,000,000	2,064,857	7,064,857
BDC Convertible Notes	2	4 Investors	119,000	47,639	166,639
Total BDC Convertible Notes			5,119,000	2,112,496	7,231,496
Subordinated Convertible Notes	3	95 Investors	23,581,493	7,294,143	30,875,636
Total			78,515,293	19,369,867	97,885,160

5.12 Further details regarding the Convertible Note Securities are included in the First Momsen Affidavit and not repeated herein.

Credit Card Facility

5.13 As noted above Synaptive used credit cards issued through the RBC CC Facility in its business, primarily to manage travel expense claims of its sales and technical services staff.

As at March 10, 2025, Synaptive's indebtedness under the RBC CC Facility was approximately US\$50,000 and \$127,166.

Security Review

5.14 Following the granting of the Initial Order, Richter intends to instruct its counsel, McMillan LLP, to review and confirm the effectiveness of the aforementioned security.

6.0 CASH MANAGEMENT SYSTEM

6.1 The Applicant manages cash, including collections, disbursements and intercompany payments from its head office. Synaptive will require continued access to its bank accounts during these CCAA Proceedings as described in the First Momsen Affidavit.

7.0 CASH FLOW FORECAST

7.1 Synaptive has prepared a weekly cash flow forecast (the "**Cash Flow Forecast**") for the two-week period from March 17, 2025 to March 28, 2025 (the "**Initial Stay Period**"). A copy of the Cash Flow Forecast, together with a summary of assumptions (the "**Cash Flow Assumptions**") and Management's report on the cash-flow statement required by section 10(2)(b) of the CCAA, are attached hereto as **Appendix "B"** and **Appendix "C"**, respectively.

7.2 As summarized in the table below, the Cash Flow Forecast shows net cash flows of approximately negative \$0.4 million during the Initial Stay Period.

For the Week Ended	21-Mar-25	28-Mar-25	TOTAL
A/R Collections	224,715	224,715	449,429
HST Receivable	25,000	-	25,000
Grant income	10,000	10,000	20,000
DIP Funding	1,000,000	-	1,000,000
Total Receipts	1,259,715	234,715	1,494,429
DISBURSEMENTS			
Payroll	1,015,887	64,773	1,080,659
Rent	84,429	-	84,429
Vendor Payments - Inventory/Parts	10,000	10,000	20,000
Bank charges	172	172	343
Vendor Payments - G&A	65,431	44,395	109,826
RBC Credit Cards	24,314	10,000	34,314
Corporate Traveller (Hotel Invs)	20,000	20,000	40,000
Employee Expenses	36,471	26,387	62,858
Restructuring Professionals	219,278	210,000	429,278
Operating Disbursements	1,475,982	385,726	1,861,708
Net Cash Flow	(216,267)	(151,012)	(367,279)
Opening Cash	495,868	279,601	495,868
Ending Cash	279,601	128,589	128,589
Opening DIP	-	1,351,664	-
Add: DIP Advances	1,000,000	-	1,000,000
Add: Exit Fee	350,000	-	350,000
Add: DIP Interest	1,664	3,884	5,548
Less: DIP Interest Paid	-	-	-
Less: DIP Repayments	-	-	-
Ending DIP	1,351,664	1,355,548	1,355,548

7.3 The Proposed Monitor notes the following with respect to the Cash Flow Forecast:

- (a) receipts include forecast collections from existing accounts receivable as at March 17, 2025;
- (b) immediate interim financing of approximately \$1 million will be needed to meet payroll obligations on March 19, 2025;

- (c) rent in the week ended March 21, 2025 includes post-filing rent for the pro-rata period of March 19 to March 31 for locations where Synaptive has not paid March 2025 rent;
- (d) payroll includes ordinary wages, benefits and taxes for remaining employees (including certain employees returning from temporary law off) and unpaid wages (excluding any bonuses) owed to returning employees for the week ended March 7, 2025 prior to the temporary layoff; and
- (e) remaining disbursements primarily includes regular general and administrative costs associated with operations.

7.4 The Proposed Monitor has reviewed the Cash Flow Forecast to the standard required of a Court-appointed monitor by section 23(1)(b) of the CCAA. Section 23(1)(b) requires a monitor to review the debtor's cash flow statement as to its reasonableness and to file a report with the Court on the monitor's findings. Pursuant to this standard, the Proposed Monitor's review of the Cash Flow Forecast consisted of inquiries, analytical procedures and discussions related to information supplied to it by certain key members of management. The Proposed Monitor reviewed information provided by management for the Cash Flow Assumptions. Since the Cash Flow Assumptions need not be supported, the Proposed Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast.

7.5 Based on the Proposed Monitor's review, nothing has come to its attention that causes it to believe that, in all material respects:

- (a) the Cash Flow Assumptions are not consistent with the purpose of the Cash Flow Forecast;
- (b) as at the date of this Report, the Cash Flow Assumptions are not suitably supported and consistent with the plans of the Applicant or do not provide a reasonable basis for the Cash Flow Forecast, given the Cash Flow Assumptions; or
- (c) the Cash Flow Forecast does not reflect the Cash Flow Assumptions.

7.6 The Cash Flow Forecast has been prepared solely for the purpose and subject to the assumptions described above, and readers are cautioned that it may not be appropriate for other purposes. The Cash Flow Forecast is subject to material change based on sales activity, the Applicant's restructuring efforts, and circumstances arising from the commencement of the CCAA Proceedings.

8.0 INTERIM FINANCING

8.1 Prior to instituting these CCAA proceedings, the Applicant entered into discussions with EDC, in order to obtain the interim financing required for these restructuring proceedings and to support its ongoing operations.

8.2 The Cash Flow Forecast indicates that interim financing is needed on an urgent basis during the Initial Stay Period to fund and stabilize operations and preserve the Applicant's businesses while it pursues the SISP. To avoid an abrupt shutdown of Synaptive's business, EDC, as interim lender (in that capacity, the "**DIP Lender**") has advised that it is prepared to provide Synaptive with an interim financing facility to provide Synaptive with adequate funding to operate during the Initial Stay Period and, if the Court subsequently approves the SISP, to operate during the implementation of the SISP, all on the terms set out below.

8.3 Based on the Cash Flow Forecast prepared by the Applicant, \$1 million will be required during the Initial Stay Period and, additionally approximately \$6 million will be required over the following 13-week period.

8.4 The interim financing facility extended by the DIP Lender provides for a \$ 7 million credit facility (the “**DIP Financing Facility**”), which is expected to meet the needs of the Applicant during an eventual extended stay period until the week ending on June 20, 2025. In substance, the DIP Financing Facility provides for the following conditions:

- (a) A non-revolving multiple draw credit facility up to a maximum principal amount of \$7 million. Upon the granting of the Initial Order by the Court and the approval by the Court of the DIP Financing Facility, and until the issuance of an Amended and Restated Initial Order, \$1 million will be immediately available to be drawn on the DIP Financing Facility. Additional draws will be available to the Applicant thereafter as required by the Cash Flow Forecast and in compliance with the DIP Term Sheet appended to the First Momsen Affidavit.
- (b) The Applicant must provide weekly reporting to the DIP Lender on their performance as compared to the DIP Budget appended to the DIP Term Sheet and must submit updated weekly cash flow forecasts acceptable to the DIP Lender.
- (c) The DIP Financing Facility is intended to be secured by a charge (the “**DIP Lender’s Charge**”) over all assets and undertakings of the Applicant, ranking in priority to the existing security, subject only to the Administration Charge.
- (d) The DIP Financing Facility is subject to an annual interest rate of 15% and an exit fee of \$350,000.

- (e) Advances under the DIP Financing Facility are conditional on, among other things:
 - (i) the granting of an Amended and Restated Initial Order extending the stay of proceedings and increasing the DIP Lender's Charge, all in form and substance acceptable to the DIP Lender, and (ii) the granting of an order approving the SISP (described below) in form and substance acceptable to the DIP Lender, both no later than 5:00 pm. (Toronto time) on March 26, 2025;
- (f) The maturity date of the DIP Financing Facility will occur on the earliest of (i) the occurrence of an Event of Default (as defined under the DIP Term Sheet), (ii) the closing of one or more sale transaction for all or substantially all of the assets of the Applicant as part of a SISP, (iii) the implementation of a plan of compromise or arrangement in the CCAA Proceedings; (iv) the date on which the stay of proceedings in the CCAA Proceedings expire without being extended or on which the CCAA Proceedings is terminated or dismissed, or (v) June 20, 2025.

8.5 The Proposed Monitor supports approval of the DIP Financing Facility and the granting of the DIP Lender's Charge on the basis that:

- (a) the Applicant is in urgent need of near-term funding and the DIP Lender is the only realistic and practical provider of such interim funding given the urgency and the Applicant's current circumstances;
- (b) the DIP Lender is the Applicant's existing senior secured lender and is prepared to make the funding available to the Applicant to avoid an abrupt shutdown of the Applicant's business and enable the Applicant to pursue an orderly process to maximize value;

- (c) based on the Cash Flow Forecast, the DIP Financing Facility will provide the Applicant with access to sufficient funding to continue their business operations during the Initial Stay Period and, if approved, during the implementation of the SISP; and
- (d) the proposed Initial Order provides that the DIP Lender's Charge will not secure any obligation that exists before the Initial Order is made.

9.0 COURT-ORDERED CHARGES SOUGHT IN THE INITIAL ORDER

- 9.1 The proposed Initial Order also seeks the granting of the Administration Charge and the Directors' Charge (collectively with the DIP Lender's Charge, the "**Charges**") over the Property of the Applicant.
- 9.2 The proposed Initial Order contemplates that the Charges will rank in priority to all other Encumbrances (as defined in the Initial Order) of any secured creditor of the Applicant that received notice of the CCAA application, provided that the Charges will have the following priority in relation to each other:
 - (a) the Administration Charge will rank in priority to the DIP Lenders' Charge;
 - (b) the DIP Lender's Charge will rank subordinate to the Administration Charge; and
 - (c) the Directors' Charge will rank subordinate to the Administration Charge, and the DIP Lender's Charge.
- 9.3 At the Comeback Hearing, the Applicant may seek priority of the Charges ahead of any Encumbrance over which the Charges may not have obtained priority pursuant to the Initial Order.

Administration Charge

- 9.4 The Initial Order provides for a charge over the Applicant's Property in an amount not to exceed \$250,000 in favour of the Monitor, counsel to the Monitor, and counsel to the Applicant (the "**Administration Charge**"). At the Comeback Hearing, the Applicant intends to seek an increase of the Administration Charge to \$500,000.
- 9.5 The Proposed Monitor assisted the Applicant in the calculation of the Administration Charge and is of the view that the quantum of the Administration Charge for the Initial Stay Period is reasonable and appropriate in the circumstances in light of the extensive scope of work required during such period and the size of administration charges approved in similar CCAA proceedings.

Directors' Charge

- 9.6 The proposed Initial Order provides that the Applicant shall indemnify their directors and officers (the "**Directors and Officers**") against obligations and liabilities that they may incur as Directors and Officers of the Applicant after commencement of the CCAA Proceedings, except to the extent that the obligation or liability was incurred as a result of an officer's or director's gross negligence or wilful misconduct. The proposed Initial Order provides for a charge over the Applicant's Property in the amount of \$1.1 million in favour of the Applicant's Directors and Officers as security for that indemnity.
- 9.7 The Proposed Monitor understands that the Applicant maintains director's and officer's liability insurance (the "**D&O Insurance**") that is applicable to Synaptive's Directors and Officers. The current D&O Insurance includes an aggregate amount of \$18 million in

coverage. However, this coverage is subject to certain retention amounts, deductibles, exclusions, or some combination of the foregoing, all of which create a degree of uncertainty. Synaptive's D&O Insurance policy expires on March 31, 2025 and while Synaptive is in discussions with its insurance provider to renew and/or replace this coverage, no such renewal/replacement has happened to date.

9.8 The Proposed Monitor assisted the Applicant in the calculation of the initial amount of the Directors' Charge, taking into consideration the quantum of the Applicant's employee-related obligations (including salary, wages and vacation pay) and federal and provincial sales tax liabilities during the Initial Stay Period.

9.9 The Proposed Monitor is of the view that the quantum of the Directors' Charge is reasonable and appropriate in the circumstances having regard to the size and nature of the Applicant's business operations.

10.0 PAYMENTS DURING THE CCAA PROCEEDINGS

10.1 During the course of the CCAA Proceedings, the Applicant intends to make payments for goods and services supplied post-filing in the ordinary course as set out in the Cash Flow Forecast and as permitted by the proposed Initial Order.

10.2 To ensure uninterrupted business operations, the Applicant is seeking in the proposed Initial Order to be authorized, but not required, to pay certain pre-filing amounts owing to the Applicant's employees, key participants in its distribution network and to other critical suppliers, including logistics or supply chain providers. The proposed Initial Order

provides that such payments would only be made to the extent included in the Cash Flow Forecast or otherwise approved by the Monitor and the DIP Lender.

10.3 The Proposed Monitor is of the view that an authorization for the Applicant to pay pre-filing amounts to critical third parties as contemplated under the Cash Flow Forecast or otherwise approved by the Monitor and the DIP Lender is appropriate in the circumstances to ensure that the Applicant can operate without disruption and maximize the value of their business and assets.

10.4 Given the Applicant's liquidity and funding constraints, the Monitor expects that the circumstances in which the Applicant will be in a position to pay pre-filing arrears will be very limited.

11.0 PROPOSED SALE AND INVESTOR SOLICITATION PROCESS

11.1 In order to maximize the value of its assets for all stakeholders and in view of maintaining its business and operations, the Applicant intends to pursue a SISP to be run by the Monitor under the supervision of the Court as part of these CCAA proceedings. The Applicant intends to seek approval of the SISP at the Comeback Hearing scheduled on March 26, 2025.

11.2 The purpose of the SISP is to solicit interest in, and opportunities for, (i) a sale of the Applicant's property and assets, and/or (ii) an investment, restructuring, recapitalization, refinancing, or other form of reorganization transaction in respect of the Applicant.

11.3 The SISP, if approved by the Court, is to be conducted by the Monitor in accordance with the terms and conditions of the SISP procedures to be appended to a SISP Approval Order

(the “**SISP Procedures**”), which are summarized herein, but are attached as Exhibit “S” of the First Momsen Affidavit. A copy of the SISP Procedures has been served on the Service List and will form part of the documentation to be provided to all interested parties at the beginning of the SISP. It will also, as other relevant materials, be posted on the Monitor’s website.

SISP Procedures

- 11.4 Capitalized terms not otherwise defined in this section are defined in the SISP Procedures.
- 11.5 The SISP will be carried out by the Monitor, upon approval of the SISP Approval Order by the Court and in consultation with the Applicant and the DIP Lender, in accordance with the terms of the SISP.
- 11.6 As set out in the SISP Procedures, the Applicant’s business, property, assets, and undertakings are to be marketed pursuant to the SISP.
- 11.7 The SISP contemplates a two-phase bidding process, which will take place over a total period of 79 days, starting as soon as March 26, 2025, as detailed below and subject to any extensions and modifications that may occur in accordance with the SISP Procedures.

Timeline

- 11.8 The timeline of the SISP is as follows and is the result of negotiations and consultation between the Synaptive, the Monitor and the DIP Lender, with a view of implementing an efficient process, while providing a realistic timeline susceptible to generating broad interest.

Milestone	Deadline
<i>Phase I</i>	
Commencement of SISP	March 26, 2025
Deadline to publish notice of SISP, deliver Teaser Letter and NDA to Known Potential Bidders, and set up electronic data room	March 28, 2025
Deadline for delivery of Secured Creditor Participation Notices and Insider Participation Notices (“ Participation Notice Deadline ”)	April 11, 2025
Deadline for submission of Phase I LOIs (the “ Phase I LOI Deadline ”)	No later than 5:00 p.m. (Toronto time) on April 30, 2025
Determination of Qualified Bidders for Phase II (the “ Qualification Deadline ”)	No later than 5:00 p.m. (Toronto time) on May 2, 2025
<i>Phase II</i>	
Deadline for submission of Phase II Bids (the “ Phase II Bid Deadline ”)	No later than 5:00 p.m. (Toronto time) on May 16, 2025
Determination of Selected Bidders (the “ Selected Bidder Deadline ”)	No later than 5:00 p.m. (Toronto time) on May 20, 2025
Selection of the Successful Bid(s) and Back-Up Bid(s), and Notification of Auction (if any) (“ Successful Bidder / Auction Notice Deadline ”)	No later than 5:00 p.m. (Toronto time) on May 23, 2025
Auction Date (if required)	May 27, 2025
Deadline for finalizing transaction documents based on Successful Bid(s)	June 3, 2025
Filing of motion to approve the Successful Bid(s)	No later than 5:00 p.m. (Toronto time) on June 5, 2025
Hearing of the Sale Approval Motion	No later than June 13, 2025, subject to the availability of the Court

Outside Date for the Closing of the Successful Bid(s) (the “ Outside Date ”)	June 20, 2025
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Phase I

- 11.9 The Monitor, with the assistance of Synaptive and in consultation with the DIP Lender, (i) will populate a list of strategic and financial parties who may potentially be interested in acquiring or making an investment in the Applicant’s business, assets and/or shares; and (ii) is currently in the process of finalizing the various documents required to implement and conduct the SISP.
- 11.10 The SISP contemplates a process whereby, as soon as practicable after the issuance of an order approving the SISP and no later than March 28, 2025, Known Potential Bidders will be contacted and provided with the Teaser Letter. Known Potential Bidders or any other Potential Bidders who enter into an NDA will be provided access to a confidential virtual data room containing due diligence materials and information relating to the Applicant, and its property and business.
- 11.11 Secured creditors of the Applicant, including the DIP Lender, may participate as Bidders in the SISP (including through the provision of credit bids), provided that if any secured creditor elects to do so, it must provide the Monitor with notice of its intention to participate in the SISP by no later than April 11, 2025. In the event that a secured creditor issues such a notice to the Monitor, it will no longer be entitled to receive any consent, consultation or information rights such secured creditor may have otherwise benefitted from under the SISP Procedures. Similarly, any officer, director, or employee of, or other non-arms’ length party in relation to, the Applicant may also participate as Bidders in the SISP, provided that they provide the Monitor with notice of their intention to do so no later than April 11,

2025. If such a notice is delivered, those involved in such a Bid will be subject to restrictions similar to those imposed on secured creditor Bidders.
- 11.12 Potential Bidders who wish to submit a non-binding letter of interest (a “**Phase 1 LOI**”) will have up to April 30, 2025 at 5 p.m. (Toronto time), to submit a Phase 1 LOI. In other words, a period of just less than one month is provided to such parties to conduct due diligence and prepare the submission of a Phase 1 LOI.
- 11.13 A Phase 1 LOI must comply with the conditions set forth in the SISP Procedures (notably at paragraph 18), including the payment of a cash deposit representing either 5% of the proposed purchase price of a Sale Proposal or 5% of the imputed value of an Investment Proposal. Such conditions may be waived by the Monitor in consultation with the Applicant and with the consent of the DIP Lender.
- 11.14 Following the Phase I LOI Deadline, the Monitor, in consultation with the Applicant and the DIP Lender, shall determine by May 2, 2025, which Phase 1 LOIs are selected to continue to Phase II of the SISP.
- 11.15 Only Qualified Bidders that have submitted a Qualified Bid shall be permitted to proceed to Phase II of the SISP. The “Qualified Bidder” and “Qualified Bid” criteria are set out in paragraphs 22 and 23 of the SISP Procedures.
- 11.16 In the event that there are no Qualified Bidders after the Phase I LOI Deadline, the SISP may be extended or terminated by the Monitor, in consultation with the Applicant and with the consent of the DIP Lender.

Phase II

11.17 Phase II of the SISP will begin immediately following the selection of Qualified Bidders and at the latest on May 2, 2025. Qualified Bidders will have until May 16, 2025 at 5:00 p.m. (Toronto time) to submit a binding proposal (a “**Phase II Bid**”).

11.18 As set out in the SISP Procedures, a Phase II Bid must meet the qualifications set out paragraph 27 of the SISP which include, among other things, the following conditions:

- (a) a signed definitive transaction document which shall be open for acceptance until either the selection of a Successful Bid (and Back-up Bid, if applicable) or if selected as a Successful Bid or Back-up Bid, until the closing of a transaction contemplated thereunder;
- (b) written evidence of a firm, irrevocable commitment for financing or other evidence that a Qualified Bidder has the financial ability to consummate the Phase II Bid; and
- (c) payment to the Monitor of a cash deposit which (in combination with the deposit provided in Phase I) equals either 10% of the proposed purchase price of a Sale Proposal or 10% of the imputed value of an Investment Proposal.

11.19 The Monitor, in consultation with the Applicant and the DIP Lender, will review and evaluate any such Phase II Bids submitted by the Phase II Bid Deadline and will identify the highest or otherwise best bid, in accordance with the criteria set out in the SISP Procedures. The Monitor may also select one or more Successful Bids and conduct an Auction under the terms of the SISP Procedures.

11.20 Following the selection of the Successful Bidder(s) (and, if applicable, any Back-Up Bidder(s)), the Approval Motion(s) shall be heard by the Court no later than June 13, 2025 (subject to Court availability), with a view to closing such transaction(s) on or before June 20, 2025.

Monitor's views on the SISP

11.21 The Proposed Monitor's view on the SISP is that, considering the Cash Flow Forecast and the DIP Financing Facility available to the Applicant, the SISP is well structured and will provide for an appropriate canvassing of sale, restructuring and recapitalization options for the benefit of the Applicant and its stakeholders generally.

11.22 We have been advised by the Applicant that in 2024, it engaged Royal Bank of Canada, as investment banker to market Synaptive's business to potential investors. As a result, the Applicant has well-developed diligence materials that are ready to be uploaded to the data room and many Potential Bidders are up to speed on the Applicant's business. Accordingly, we are of the view that the SISP provides sufficient notice of the opportunity to Potential Bidders. The two-phase approach to the SISP further provides Potential Bidders with additional time to finalize their due diligence, and provides the Monitor with adequate time to market the opportunity and engage with parties while respecting the Applicant's liquidity constraints.

11.23 In addition, the SISP ensures that there are sufficient restrictions around the ability for the DIP Lender, other secured creditors and insiders to participate in the SISP, which ensures fairness in the working out of the process. The SISP also provides the Monitor with

sufficient flexibility to make reasonable and appropriate adjustments to the SISP, if required and to seek further direction from the Court, if needed.

11.24 Finally, the Proposed Monitor is satisfied that the factors to be considered in declaring a Successful Bidder are reasonable and appropriate in the circumstances.

12.0 CONCLUSIONS AND RECOMMENDATIONS

12.1 For the reasons set out in this Report, if the Court is satisfied that the Applicant is a company to which the CCAA applies, the Proposed Monitor is of the view that the relief requested by the Applicant in the proposed Initial Order is reasonable, appropriate and necessary having regard to the current financial and operational circumstances of the Synaptive Group. As such, the Proposed Monitor supports the Applicant's application for CCAA protection and respectfully recommends that the Court grant the Initial Order containing the relief requested by the Applicant.

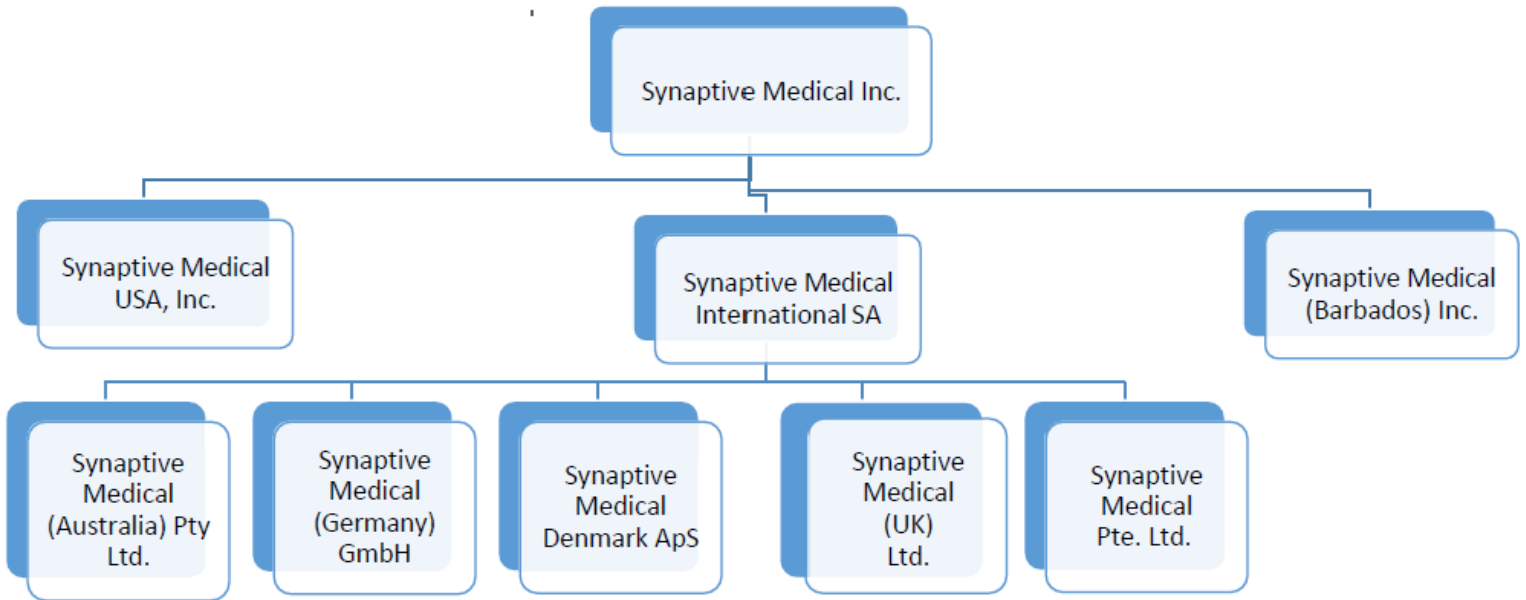
All of which is respectfully submitted to the Court this 18th day of March, 2025.

Richter Inc., solely in its capacity as
proposed monitor of Synaptive
Medical Inc and not in its personal
or corporate capacity

Per: 

Karen Kimel
Senior Vice-President

APPENDIX "A"
SYNAPTIVE SIMPLIFIED CORPORATE CHART



APPENDIX "B"
CASH FLOW FORECAST

Disclaimer

In preparing this cash flow forecast (the “Forecast”), the Company has relied upon unaudited financial information and has not attempted to further verify the accuracy or completeness of such information. The Forecast reflects assumptions including those discussed below with respect to the requirements and impact of a filing in Canada under the Companies’ Creditors Arrangement Act (“CCAA”). Since the Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved will vary from the Forecast, even if the assumptions materialize, and such variations may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or projections will be realized. The Forecast is presented in Canadian dollars.

For the Week Ended	21-Mar-25	28-Mar-25	TOTAL
A/R Collections	224,715	224,715	449,429
HST Receivable	25,000	-	25,000
Grant income	10,000	10,000	20,000
DIP Funding	1,000,000	-	1,000,000
Total Receipts	1,259,715	234,715	1,494,429
DISBURSEMENTS			
Payroll	1,015,887	64,773	1,080,659
Rent	84,429	-	84,429
Vendor Payments - Inventory/Parts	10,000	10,000	20,000
Bank charges	172	172	343
Vendor Payments - G&A	65,431	44,395	109,826
RBC Credit Cards	24,314	10,000	34,314
Corporate Traveller (Hotel Invs)	20,000	20,000	40,000
Employee Expenses	36,471	26,387	62,858
Restructuring Professionals	219,278	210,000	429,278
Operating Disbursements	1,475,982	385,726	1,861,708
Net Cash Flow	(216,267)	(151,012)	(367,279)
Opening Cash	495,868	279,601	495,868
Ending Cash	279,601	128,589	128,589
Opening DIP	-	1,351,664	-
Add: DIP Advances	1,000,000	-	1,000,000
Add: Exit Fee	350,000	-	350,000
Add: DIP Interest	1,664	3,884	5,548
Less: DIP Interest Paid	-	-	-
Less: DIP Repayments	-	-	-
Ending DIP	1,351,664	1,355,548	1,355,548

Assumptions:

- (a) receipts include forecast collections from existing accounts receivable at March 17, 2025;

- (b) immediate interim financing of approximately \$1 million will be needed to meet payroll obligations on March 19, 2025;
- (c) rent in the week ended March 21, 2025 includes post-filing rent for the pro-rata period March 19 to March 31 for locations where Synaptive has not paid March 2025 rent;
- (d) payroll includes ordinary wages, benefits and taxes for remaining employees (including certain employees returning from temporary law off) and unpaid wages (excluding any bonuses) owed to returning employees for the week ended March 7, 2025 prior to the temporary layoff; and
- (e) remaining disbursements primarily includes regular general and administrative costs associated with operations.

APPENDIX “C”

**MANAGEMENT’S REPRESENTATION
LETTER REGARDING CASH FLOW
FORECAST**

See attached.

Richter Inc.
181 Bay Street, Suite #3501
Bay Wellington Tower
Toronto ON M5J 2T3
Email: kkimel@richter.ca

Attention: Ms. Karen Kimel

March 18, 2025

Dear Ms. Kimel:

**Re: Synaptive Medical Inc. (“Synaptive” or the “Applicant”) - CCAA section 10(2)
Prescribed Representations with Respect to Cash Flow Forecast**

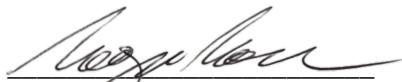
In connection with the application by Synaptive for the commencement of proceedings under the *Companies’ Creditors Arrangement Act*, the management of Synaptive have prepared the attached 10-day projected cash flow statement for the period March 17, 2025 to March 27, 2025 (the “**Cash Flow Forecast**”) and the list of assumptions on which the Cash Flow Forecast is based. The purpose of the Cash Flow Forecast is to determine the liquidity requirements of Synaptive during the initial 10-day period of the CCAA proceedings.

Synaptive confirms that the hypothetical assumptions on which the Cash Flow Forecast is based are reasonable and consistent with the purpose described herein, and the probable assumptions are suitably supported and consistent with the plans of Synaptive and provide a reasonable basis for the projections. All such assumptions are disclosed in notes to the Cash Flow Forecast (the “**Notes**”).

Since the projections are based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projections have been prepared solely for the purpose described herein, using the probable and hypothetical assumptions set out in the Notes. Consequently, readers are cautioned that the Cash Flow Forecast may not be appropriate for other purposes.

Yours truly,



Magnus Momsen
Chief Financial Officer
Synaptive Medical Inc.

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C.
1985, c. C-36, AS AMENDED**

Court File No.: CourtFileNumber

**IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
SYNAPTIVE MEDICAL INC.**

***ONTARIO*
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

**PRE-FILING REPORT OF THE
PROPOSED MONITOR**

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