

Court File No.: CV-25-00739279-00CL

**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.**

**SECOND REPORT OF THE MONITOR  
RICHTER INC.**

**APRIL 22, 2025**

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## 1.0 INTRODUCTION

1.1 On March 19, 2025 (the “**Filing Date**”), Synaptive Medical Inc. (“**Synaptive**” or the “**Applicant**”) was granted protection under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) pursuant to an initial order (the “**Initial Order**”) of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”). The proceedings commenced by the Applicant under the CCAA are referred to herein as the “**CCAA Proceedings**”.

1.2 The Initial Order granted by the Court on March 19, 2025, among other things:

- (a) appointed Richter Inc. (“**Richter**”) as monitor in these CCAA Proceedings (in such capacity, the “**Monitor**”);
- (b) granted a stay of proceedings in favour of the Applicant and its directors and officers up to and including March 26, 2025 (the “**Stay Period**”);
- (c) authorized Synaptive to borrow from its senior secured lender, Export Development Canada (“**EDC**”), under a credit facility provided by EDC (in such capacity, the “**DIP Lender**”), for the purposes of financing the Applicant’s working capital requirements and other general corporate purposes throughout these CCAA Proceedings, with borrowings under such credit facility not to exceed \$1 million unless permitted by further Order of the Court, and granted the DIP Lender a priority charge over the Applicant’s Property (the “**DIP Lender’s Charge**”); and
- (d) granted an Administration Charge and a Directors’ Charge (each as defined in the Initial Order) over the Property, in the following order of priority:
  - (i) the Administration Charge in the maximum amount of \$250,000;

- (ii) the DIP Lender's Charge; and
- (iii) the Directors' Charge in the maximum amount of \$1.1 million.

1.3 On March 26, 2025, the Court issued the amended and restated Initial Order (the "**ARIO**") which, among other things:

- (i) extended the Stay Period up to and including June 20, 2025;
- (ii) approved the DIP Term Sheet between the Applicant and the DIP Lender, authorizing the Applicant to borrow up to the maximum amount of \$7,000,000 available thereunder, and granted the DIP Lender's Charge as security for advances under the credit facility governed by the DIP Term Sheet; and
- (iii) increased the quantum of the Administration Charge to \$500,000.

1.4 Also on March 26, 2025, the Court issued a SISP Approval Order (the "**SISP Approval Order**") which, among other things, authorized the Applicant to conduct a sale and investment solicitation process ("**SISP**"), to be run by the Monitor, to identify a restructuring, sale or reorganization transaction in respect of the property and/or business of the Applicant (a "**Transaction**") in accordance with the procedures, terms and conditions attached thereto (the "**SISP Procedures**").

1.5 As set out more fully in the affidavit of Magnus Momsen sworn March 18, 2025 (the "**First Momsen Affidavit**") filed in support of the application for the Initial Order, (i) the Applicant is a privately held Canadian medical device company that provides neurosurgery solutions from pre-operative planning and diagnosis to surgical intervention and post-

operative care and (ii) CCAA protection was necessary given an impending liquidity crisis caused by, among other things, an inability of the Applicant to pay operating expenses including significant payroll requirements and other obligations as they became due.

- 1.6 Richter filed a pre-filing report dated March 18, 2025 (the “**Pre-Filing Report**”) with the Court prior to the commencement of the CCAA Proceedings. The Monitor filed its first report dated March 24, 2025 (the “**First Report**”) and together with the Pre-Filing Report, the “**Previous Reports**”) in connection with the Applicant’s motion for approval of the ARIO and SISP Approval Order. The Previous Reports are available on the Monitor’s case website at: <https://www.richter.ca/insolvencycase/synaptive-medical-inc/> (the “**Case Website**”).

## **2.0 PURPOSE OF THIS REPORT**

- 2.1 The purpose of this report (the “**Second Report**”) is to (i) provide the Court with an update on certain developments in the CCAA Proceedings since the date of the First Report, and (ii) support the Applicant’s motion returnable April 25, 2025 seeking an order (the “**KERP Approval Order**”), which among other things,
- (a) approves the proposed key employee retention plan (the “**Proposed KERP**”);
  - (b) grants a fourth-ranking charge (the “**KERP Charge**”) over the Property in favour of the Participating Employees (as defined below); and
  - (c) seals Exhibit “D” of the Affidavit of Magnus Momsen sworn on April 17, 2025 in support of the Proposed KERP (the “**Second Momsen Affidavit**”) and together with the First Momsen Affidavit, the “**Momsen Affidavits**”), which contains

commercially sensitive and personal information regarding the beneficiaries of the Proposed KERP.

### **3.0 TERMS OF REFERENCE AND DISCLAIMER**

3.1 In preparing this Second Report, Richter, in its capacity as the 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 Second Report:

- (a) the Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the 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 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 Second 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.

3.2 Future-oriented financial information referred to in this Second Report was prepared based on 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.

3.3 This Second Report should be read in conjunction with the Previous Reports and the Momsen Affidavits. Capitalized terms used and not defined in this Second Report have the meanings given to them in the Previous Reports or the Momsen Affidavits, as applicable.

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

#### **4.0 ACTIVITIES OF THE MONITOR SINCE THE FILING DATE**

4.1 Since the First Report, the primary activities of the Monitor have included the following:

- (a) updating the Case Website as necessary, including posting copies of the Previous Reports, the Initial Order, the ARIO, the SISP Approval Order and Court-filed documents;
- (b) communicating with various stakeholders of the Applicant, including creditors, debenture holders, shareholders, employees, and landlords;
- (c) communicating with terminated employees regarding the Wage Earner Protection Program;
- (d) assisting the Applicant in developing the Proposed KERP and KERP Charge, including considering cash-flow implications and decision-making around appropriate beneficiaries;

- (e) participating in discussions with, and assisting the Applicant in discussions with, stakeholders on matters related to the CCAA Proceedings and responding to requests for information from certain parties;
- (f) advancing the SISP, including:
  - (i) communicating with and providing the Teaser Letter to Potential Bidders;
  - (ii) populating the Data Room;
  - (iii) issuing a notice of the SISP in the Globe and Mail (National Edition) and Canada Newswire;
  - (iv) negotiating and settling non-disclosure agreements with Potential Bidders;
  - (v) facilitating additional information requested by Potential Bidders to further due diligence efforts;
  - (vi) facilitating and attending management presentations with Potential Bidders; and
  - (vii) providing regular updates to the DIP Lender on the SISP.
- (g) monitoring the Applicant's cash receipts and disbursements;
- (h) engaging in discussions with the DIP Lender and its counsel, Fasken Martineau Dumoulin LLP, with respect to liquidity matters, the SISP and other matters related to these CCAA Proceedings;
- (i) completing and coordinating the notice requirements pursuant to the Initial Order, including, among other things:

- (i) arranging for publication of notice of the CCAA Proceedings, in the prescribed form, in The Globe and Mail (National Edition) on March 25, 2025 and April 1, 2025;
- (ii) arranging for notice of the CCAA Proceedings, in the prescribed manner, to be emailed or mailed on March 26, 2025 to each known creditor having a claim against the Applicant of more than \$1,000; and
- (j) with the assistance of McMillan LLP, counsel to the Monitor, preparing this Second Report.

4.2 In addition to the above activities, the Monitor has been working with the Applicant to address the below matters:

Medi-Urge

On March 26, 2025, the Monitor received an email from Medi Urge (Private) Limited (“**Medi Urge**”), Synaptive’s distributor in Pakistan, advising that approximately US\$1.1 million was outstanding in connection with a supply of medical equipment made by Synaptive to the Pakistan Institute of Medical Sciences (“**PIMS**”). The Monitor understands that following the issuance of an invoice by Synaptive to PIMS dated July 2, 2024, PIMS made payment in full to Synaptive through a letter of credit which payment included a portion to be paid to Medi Urge for its distribution service. The amount owed to Medi Urge was not, at that time, remitted to Medi Urge and remained outstanding on the Filing Date. The Monitor, and its counsel McMillan LLP, have had numerous communications with Medi Urge in connection with this matter.

United States Health Benefits

On April 2, 2025, Synaptive received notice from its US employee benefits provider, Aetna Inc. (“**Aetna**”), informing Synaptive of the impending termination of its benefits plan as a result of over-due payments for the period from January to March 2024. The benefits plan covers Synaptive’s US-based employees, who are employed through Synaptive’s subsidiary, Synaptive Medical USA, Inc. (“**Synaptive USA**”). Synaptive USA is not a part of these CCAA Proceedings and as such does not benefit from the stay provided by the ARIO.

Synaptive, in consultation with the Monitor and the DIP Lender, has worked out a payment plan with Aetna in order to ensure continued benefits coverage for Synaptive USA’s employees during these CCAA Proceedings. Given the ongoing employee retention challenges facing Synaptive, the Monitor is of the view that maintaining benefits coverage for Synaptive USA’s employees is a key measure in mitigating further attrition.

#### Pacer

On April 15, 2025, the Monitor received notice from Alexander Holburn LLC, counsel to Pacer Air Freight Ltd. (“**Pacer**”), advising that Pacer is in possession of, and providing warehouse services for, approximately 35 skids of goods including MRI units and other medical equipment (the “**April 15 Email**”). Pacer is claiming accrued debt of approximately \$1.1 million in respect of which they claim a general contractual lien against the goods in storage.

Counsel for Pacer has further advised that on April 11, 2025, Pacer received an urgent request from Synaptive to retrieve a radio frequency amplifier (“**RF AMP**”) from one of the MRI units that Pacer is storing with the other Goods.

Pacer has agreed to make the RF AMP available to Synaptive subject to various conditions set out in its April 15 Email.

### Insider Notices

Pursuant to paragraph 10 of the SISP Order, the deadline for delivery of Insider Notices was April 11, 2025. Two of the Insider Notices, confirming that certain board members would not be participating in the SISP, were delivered after the April 11, 2025 deadline. Accordingly, the Monitor recommends retroactively extending the deadline to April 25, 2025 to ensure those notices are in compliance with the SISP. Pursuant to paragraph 11 of the SISP Procedures, the Monitor, in consultation with the Applicant and the prior written consent of the DIP Lender, has agreed to extend the deadline for providing Insider Notices to April 25, 2025.

## **5.0 THE PROPOSED KERP AND KERP CHARGE**

- 5.1 The Applicant, in consultation with the Monitor, has developed the Proposed KERP to facilitate and encourage the continued participation of certain senior management and key employees of Synaptive who are required to guide the business through these CCAA Proceedings and preserve value for stakeholders (each, a **“Participating Employee”**).
- 5.2 The 43 Participating Employees either possess specialized expertise with respect to the business that would be difficult to replace or are otherwise critical for a successful SISP.
- 5.3 Below is a summary of the key components of the Proposed KERP:
  - (a) Maximum amount: US\$130,378.66 and CAD\$315,451.10.

- (b) Timing of payment: Payments will be made as a single lump sum payment to each Participating Employee, payable on May 30, 2025.
- (c) Conditions for Payment: Each Participating Employee will only be eligible to receive a KERP Payment if such employee continues his or her active employment with Synaptive (or applicable affiliate of Synaptive) until May 30, 2025.
- (d) Security: Synaptive's obligations to Participating Employees under the Proposed KERP are to be secured by a court-ordered charge over Synaptive's Property up to a maximum amount of CAD\$500,000, which charge will be subordinate to the Administration Charge, the DIP Lender's Charge and the Director's Charge.

5.4 Based on its review of the Proposed KERP, the proposed list of Participating Employees and discussions with the Applicant in respect of same, the Monitor supports the granting of the proposed KERP Approval Order for the following reasons:

- (a) The nature of Synaptive's business requires a workforce comprised of highly specialized and technically skilled professionals who possess product-specific knowledge. The proposed list of Participating Employees fulfill critical functions for Synaptive, including key members of management, MRI scientists, optical scientists, software architects, magnet and gradient scientists and clinical application scientists.
- (b) In the Monitor's view, the loss of any of the Participating Employees during the CCAA Proceedings would be disruptive and potentially value destructive as replacing any of the Participating Employees would be difficult, time-consuming and expensive. Moreover, the Monitor understands that Synaptive's workforce is already leanly staffed due to recent terminations.

(c) Considering that Synaptive has limited tools available to retain the Participating Employees, the Proposed KERP provides a targeted and cost-effective means of preserving the going-concern value of Synaptive during the CCAA Proceedings.

5.5 Accordingly, the Monitor believes that the Proposed KERP is necessary and will provide appropriate incentives for the Participating Employees to remain in their current positions, primarily for the purpose of assisting the Applicant through the SISP and CCAA Proceedings generally. Further, based on discussions with the Applicant and its experience in prior matters, the Monitor believes that the amounts contemplated under the Proposed KERP are reasonable and appropriately compensate the Participating Employees for their assistance in the restructuring process.

5.6 Exhibit “D” to the Second Momsen Affidavit contains a table listing the Participating Employees, their current annual salaries, and their total additional compensation contemplated under the Proposed KERP (the “**Confidential KERP Exhibit**”). As the Confidential KERP Exhibit contains commercially sensitive and personal information related to the Participating Employees, including their names and salaries, the proposed KERP Approval Order includes a provision sealing the Confidential KERP Exhibit such that it not form part of the public court record pending further order of the court.

5.7 The Monitor believes the proposed sealing of the Confidential KERP Exhibit is appropriate as the information must necessarily be disclosed to the Court, for purposes of obtaining approval of the Proposed KERP, which is vital to the efforts to maximize value for all stakeholders. The Confidential KERP Exhibit contains personal and commercially

sensitive information, for which disclosure to the public at large would serve no significant public interest.

**6.0 CONCLUSIONS AND RECOMMENDATIONS**

6.1 For the reasons set out in this Second Report, the Monitor respectfully recommends that the Court grant the proposed KERP Approval Order.

All of which is respectfully submitted to the Court this 22<sup>nd</sup> day of April, 2025.

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



Per: \_\_\_\_\_  
Karen Kimel  
Senior Vice-President

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

Court File No.: CV-25-00739279-00CL

**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

**SECOND REPORT OF THE  
MONITOR**

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