

## **Veridian Bank Executive Committee Meeting Minutes**

**Meeting Date:** March 10, 2023

**Meeting Time:** 1:00 PM CST

**Attendees:** Board of Directors (Victoria Ashford, James Blackwood, Nina Patel), Arthur Sterling (CEO), Marcus Thorne (Investment Division), Evelyn Reed (Risk Management), and Sarah Chen (Compliance)

**Departments:** Finance, Investment, Risk Management, Compliance, and Executive Office

**Confidentiality Level:** Privileged & Confidential

**Issue Category:** Investment Fraud

**Risk Assessment Score:** 41 (High)

### **Summary of Discussion:**

#### **1. Executive Overview:**

The meeting commenced with a brief review of the escalating crisis by Arthur Sterling. He acknowledged the Board's growing concerns regarding the Meridian Opportunities Fund and the Investment Division's handling of the situation. The discussion that ensued centered on the Board's response to the mounting evidence of investment fraud.

#### **2. Risk Management Update:**

Evelyn Reed presented her latest assessment of the risk environment, indicating that the risk assessment score for the Meridian Fund had reached 41, highlighting the severity of the situation. She emphasized the need for swift action to contain the damage and prevent further erosion of the bank's reputation.

#### **3. Compliance Update:**

Sarah Chen provided an update on the Compliance Department's efforts to address the regulatory non-compliance issues arising from the Meridian Fund's activities. She noted that the Department had identified a number of instances of material adverse changes, which had not been properly disclosed to the Board.

#### **4. Investment Division Performance:**

Marcus Thorne presented an update on the Investment Division's performance, highlighting the growth in assets under management and the returns on investment. However, the Board members expressed concerns regarding the lack of transparency and the Division's failure to disclose the true nature of the Meridian Fund's activities.

#### **5. Board Resolution:**

The Board collectively decided to implement an immediate investigation into the Meridian

Fund's activities, with a focus on identifying the root causes of the investment fraud and determining the extent of any losses. They also agreed to establish a task force to oversee the investigation and provide regular updates to the Board.

#### **6. Action Items:**

- The Board authorized Evelyn Reed to lead the investigation into the Meridian Fund's activities.
- The Board directed Sarah Chen to work closely with the Compliance Department to ensure that all regulatory requirements are met and that any necessary corrective actions are taken.
- The Board tasked Marcus Thorne with providing a detailed report on the Investment Division's performance and the reasons behind the Meridian Fund's activities.
- The Board established a task force to oversee the investigation and provide regular updates to the Board.

#### **Comparative Analysis:**

Similar cases, such as the collapse of Bear Stearns in 2008 and the Bernie Madoff Ponzi scheme, highlight the importance of effective governance and risk management in preventing such crises. In both instances, the failure of leadership and inadequate risk management processes contributed to the collapse of the institutions.

Unique features of the Veridian Bank crisis include the involvement of the Investment Division, the lack of transparency, and the failure to disclose material adverse changes to the Board. These factors have led to a more complex and nuanced crisis, requiring a more comprehensive response.

#### **Conclusion:**

The executive committee meeting minutes provide a critical record of the high-level discussions, strategic decisions, and responses by the executive committee regarding Veridian Bank's escalating crisis. The Board's collective decision to implement an immediate investigation into the Meridian Fund's activities and to establish a task force to oversee the investigation reflects their commitment to addressing the crisis and restoring confidence in the bank.

#### **Recommendations:**

- The Board should continue to maintain a close eye on the investigation and ensure that it is conducted in a thorough and transparent manner.
- The Board should work closely with the Compliance Department to ensure that all regulatory requirements are met and that any necessary corrective actions are taken.
- The Board should prioritize the implementation of effective governance and risk management processes to prevent similar crises in the future.

**Attachments:**

- Minutes of the March 10, 2023, Executive Committee Meeting
- Report on the Meridian Fund's Activities
- Compliance Update on the Meridian Fund's Activities
- Task Force Charter

**Confidentiality Note:**

This document is privileged and confidential, and its contents should not be shared outside of the Board or task force members without explicit permission from the Board Chair.