

**Confidential**

**MEMORANDUM**

**TO:** Executive Office, Investment Department, Risk Management, Compliance, Internal Audit, and Board of Directors

**FROM:** Evelyn Reed, Head of Risk Management

**SUBJECT:** Urgent: Meridian Fund Valuation Anomalies and Potential Investment Fraud (Confidential)

**DATE:** March 10, 2021

**ISSUE CATEGORY:** Investment Fraud

**CONFIDENTIALITY LEVEL:** Confidential

As I continue to investigate the Meridian Fund's valuation methodology, I have uncovered disturbing inconsistencies that warrant immediate attention from the Executive Office, Investment Department, and Board of Directors. This memo outlines my findings, questions, and directives to mitigate potential risks.

**Key Observations:**

1. **Unexplained discrepancies:** Meridian Fund's net asset value (NAV) has deviated significantly from market expectations. Specifically, the fund's valuation has increased by 15% over the past quarter, while the underlying assets have appreciated by only 5%.
2. **Lack of transparency:** Investment Department has failed to provide adequate explanations for these discrepancies. Despite repeated requests, I have not received sufficient documentation to support the fund's valuation.
3. **Potential mispricing:** My analysis suggests that the fund's assets may be mispriced, leading to inflated valuations. This could result in significant losses for investors and potential regulatory scrutiny.

**Questions and Challenges:**

1. **Can the Investment Department provide a comprehensive explanation for the valuation anomalies?**
2. **Have there been any changes to the fund's investment strategy or asset allocation that could explain the discrepancies?**
3. **Have any third-party valuations or audits been conducted to verify the fund's NAV?**

**Directives and Recommendations:**

1. **Immediate investigation:** Conduct a thorough investigation into the Meridian Fund's valuation methodology, asset allocation, and investment strategy.
2. **Document collection:** Gather all relevant documents, including financial statements, investment reports, and communication records between the Investment Department and external parties.
3. **Risk assessment:** Assess the potential risks associated with the fund's valuation anomalies, including market exposure, regulatory implications, and investor losses.
4. **Regulatory notification:** Notify the Federal Banking Commission (FBC) and Securities and Exchange Commission (SEC) of the potential investment fraud and request guidance on next steps.
5. **Internal audit:** Engage the Internal Audit Team to conduct a separate review of the fund's operations and ensure compliance with regulatory requirements.

**Action Items:**

1. **Investment Department:** Provide a comprehensive explanation for the valuation anomalies and asset allocation changes by March 15, 2021.
2. **Risk Management:** Conduct a thorough risk assessment and provide a report to the Board of Directors by March 20, 2021.
3. **Internal Audit:** Engage the Internal Audit Team to conduct a review of the fund's operations and provide a report to the Board of Directors by April 1, 2021.

**Conclusion:**

The Meridian Fund's valuation anomalies and potential investment fraud pose significant risks to the bank's reputation, investor confidence, and regulatory compliance. It is essential that we take immediate action to investigate, mitigate, and prevent further losses. I will continue to monitor the situation and provide updates as necessary.

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