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MEMORANDUM

TO: Arthur Sterling, CEO; Evelyn Reed, Head of Risk Management

FROM: David Miller, Director of Human Resources

SUBJECT: Urgent Technical Analysis: Meridian Fund's Phantom Assets

DATE: March 10, 2022

ISSUE CATEGORY: Investment Fraud

CONFIDENTIALITY LEVEL: Confidential

As you are aware, our recent investigation has uncovered disturbing evidence of phantom assets within the Meridian Opportunities Fund. In this memo, I will provide a detailed technical analysis of the findings, highlighting the specific methods used to conceal these assets and the subsequent impact on our financials.

PHANTOM ASSETS CHARACTERISTICS

Our forensic analysis reveals that the phantom assets in question are comprised of:

1. **Fabricated real estate holdings:** These entities were created using shell companies and nominee accounts, further obfuscating their true nature. A total of 17 such holdings were identified, with an average value of \$25 million each.
2. **Inflated valuations of the Cascade Technology Portfolio:** This portfolio, managed by Marcus Thorne, contains a mix of cash, stocks, and bonds. However, our analysis indicates that the valuations of these assets were significantly inflated, resulting in a total overvaluation of \$125 million.
3. **Fictitious returns on Shadow Creek vehicles:** These vehicles, designed to generate high returns for investors, were actually used to siphon funds from other investments and conceal the true state of the fund's finances. We estimate that \$50 million was diverted through these schemes.

ANALYTICAL METHODS

To uncover these phantom assets, our team employed a combination of the following techniques:

1. **Data mining:** We analyzed over 10,000 transactions related to the Meridian Fund, identifying patterns and anomalies that pointed to the existence of phantom assets.

2. **Network analysis:** By mapping the relationships between entities within the fund, we were able to identify the shell companies and nominee accounts used to conceal the phantom assets.
3. **Financial statement analysis:** Our team conducted a comprehensive review of the fund's financial statements, identifying discrepancies and inconsistencies that supported the existence of phantom assets.

MEASUREMENTS AND METRICS

Our analysis has resulted in the following key findings:

1. **Total phantom assets:** We estimate that the Meridian Fund contains a total of \$302 million in phantom assets.
2. **Risk score:** Our Enterprise Risk Matrix (ERM) assigns a risk score of 92 to the Meridian Fund, indicating a high level of risk due to the presence of phantom assets.
3. **Financial impact:** The presence of phantom assets has resulted in a total financial impact of \$142 million, including losses and potential regulatory fines.

RECOMMENDATIONS

In light of these findings, we strongly recommend that the following actions be taken:

1. **Immediate investigation:** A thorough investigation into the creation and concealment of phantom assets must be conducted, with a focus on identifying those responsible and determining the extent of their involvement.
2. **Asset divestment:** The Meridian Fund must be divested of its phantom assets, with a plan in place to recover the losses incurred.
3. **Regulatory disclosure:** We must disclose this information to the relevant regulatory bodies, including the Federal Banking Commission (FBC) and the Securities and Exchange Commission (SEC).

I have attached a comprehensive report detailing our findings and recommendations. Please review this report and provide guidance on next steps.

CONFIDENTIALITY NOTE

This memo is confidential and intended only for the recipients listed above. It is not to be shared or discussed with anyone outside of Veridian Bank without explicit permission from the CEO or Head of Risk Management.

ACKNOWLEDGMENT

I have reviewed and acknowledge the contents of this memo. I understand the gravity of the situation and will take all necessary steps to cooperate with the investigation and ensure the proper divestment of phantom assets.

SIGNED:

David Miller
Director of Human Resources
Veridian Bank

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END OF MEMO