

CONFIDENTIAL

EXECUTIVE COMMITTEE MEETING MINUTES

DATE: August 15, 2022

DEPARTMENT: Finance

ISSUE CATEGORY: Investment Fraud

AUTHOR: Internal Audit Team

RISK ASSESSMENT SCORE: 95 (Extreme Risk)

SUMMARY:

This meeting minute captures the pivotal discussion between the Executive Committee, led by CEO Arthur Sterling, and the Internal Audit Team regarding the escalating Investment Fraud crisis within Veridian Bank. The session marked a turning point in acknowledging the scope of the issue and initiating decisive action to address the impending catastrophe.

OVERVIEW:

The meeting convened at 9:00 AM in the Executive Office Conference Room. Present were Arthur Sterling (CEO), Victoria Ashford (Board Chair), James Blackwood (Regulatory Expert), Nina Patel (Tech Entrepreneur), Marcus Thorne (Investment Division), Evelyn Reed (Risk Management), and Internal Audit representatives. The discussion centered on the Meridian Opportunities Fund's anomalies, identified by Reed's early warnings, which have spiraled out of control.

AGENDA ITEMS:

1. **Risk Assessment Update:** Evelyn Reed presented a detailed analysis of the Meridian Fund's performance, highlighting a 95% risk assessment score. She emphasized the extreme risk posed by Thorne's Investment Division, citing phantom assets, inflated valuations, and fictitious returns on Shadow Creek vehicles.
2. **Investigation Findings:** Internal Audit Team members shared preliminary findings, including evidence of fabricated security structures, complex transaction chains, and control environment deficiencies. They highlighted the Meridian Fund's synthetic collateralization, which enabled Thorne's layering schemes.
3. **Regulatory Compliance:** James Blackwood emphasized the bank's failure to report suspicious transactions to the Federal Banking Commission (FBC) and inadequate Know Your Customer (KYC) procedures. He warned that these breaches might trigger significant regulatory fines and penalties.

4. **Executive Liability:** Victoria Ashford raised concerns about executive liability, citing potential clawback provisions and material adverse change (MAC) clauses. She urged the committee to consider the long-term implications of their actions.
5. **Urgent Action Required:** The Internal Audit Team requested immediate action to contain the crisis, including freezing assets, terminating Thorne's tenure, and implementing a forensic reconstruction of the Meridian Fund's transactions.

DECISIONS AND RESOLUTIONS:

1. **Emergency Board Meeting:** The committee agreed to convene an emergency board meeting to address the crisis and inform board members of the severity of the situation.
2. **Asset Freeze:** The committee authorized the freezing of assets related to the Meridian Fund to prevent further losses.
3. **Termination of Thorne:** Arthur Sterling announced that Marcus Thorne's tenure would be terminated, effective immediately.
4. **Forensic Reconstruction:** The committee approved the Internal Audit Team's request for a forensic reconstruction of the Meridian Fund's transactions to uncover the full extent of the fraud.
5. **Regulatory Notification:** The committee agreed to notify the FBC and other regulatory bodies about the crisis, despite potential liability concerns.

ACTION ITEMS:

1. **Emergency Board Meeting:** Schedule an emergency board meeting for August 18, 2022, to address the crisis and inform board members.
2. **Asset Freeze:** Implement an asset freeze on Meridian Fund-related assets to prevent further losses.
3. **Forensic Reconstruction:** Conduct a forensic reconstruction of the Meridian Fund's transactions to uncover the full extent of the fraud.
4. **Regulatory Notification:** Notify the FBC and other regulatory bodies about the crisis.

ADDITIONAL NOTES:

- The meeting concluded at 11:45 AM, with all attendees agreeing on the urgency of addressing the crisis.
- The committee acknowledged the need for transparency and cooperation with regulatory bodies to mitigate potential consequences.

- Evelyn Reed was appointed to lead the forensic reconstruction effort, with Marcus Thorne's former team members to assist.

CONCLUSION:

This meeting minute captures the critical discussions and decisive actions taken by the Executive Committee to address the escalating Investment Fraud crisis within Veridian Bank. The committee acknowledged the extreme risk posed by Thorne's Investment Division and initiated urgent action to contain the crisis, including freezing assets, terminating Thorne's tenure, and implementing a forensic reconstruction of the Meridian Fund's transactions. The meeting marked a turning point in the bank's history, demonstrating the importance of transparency, cooperation, and decisive action in addressing catastrophic events.