

CONFIDENTIAL

EXECUTIVE COMMITTEE MEETING MINUTES

Meeting Date: March 20, 2023

Meeting Time: 14:00 CST

Location: Veridian Bank Headquarters, Chicago, IL

Attendees:

1. Arthur Sterling, CEO
2. Victoria Ashford, Board Chair
3. James Blackwood, Former FBC Regulator
4. Nina Patel, Tech Entrepreneur and Board Member
5. David Miller, HR Director (Author)
6. Sarah Chen, Compliance Director
7. Evelyn Reed, Risk Management Director
8. Marcus Thorne, Investment Director

Summary:

This meeting summarized the escalating crisis within Veridian Bank, focusing on internal power dynamics, major fraud developments, and their implications. The discussion centered on the Investment Fraud issue category, with a Risk Assessment Score of 76, indicating a high level of threat. Key decisions made during the meeting aim to address the crisis and mitigate its impact on the institution.

Overview:

The meeting commenced with Arthur Sterling, CEO, acknowledging the crisis's severity and the need for decisive action. Victoria Ashford, Board Chair, emphasized the importance of transparency and cooperation among the executive committee. James Blackwood, former FBC regulator, highlighted the regulatory scrutiny and potential consequences of non-compliance. Nina Patel, tech entrepreneur and board member, expressed concerns about the bank's reputation and the need for swift resolution.

Key Discussion Points:

1. **Investment Fraud Update:** Evelyn Reed, Risk Management Director, presented a comprehensive update on the Investment Fraud issue, including the Meridian Fund's phantom

assets, inflated valuations, and fictitious returns on Shadow Creek vehicles. The total Meridian Fund fraud reached \$847 million, with estimated legal settlements approaching \$200 million.

2. **Internal Power Dynamics:** The meeting highlighted the ongoing internal power struggle between the Thorne-Sterling alliance and the Reed-Chen-Internal Audit faction. David Miller, HR Director, noted the significant talent exodus, with an Employee Attrition Rate (EAR) of 34% during the crisis peak.
3. **Regulatory Scrutiny:** James Blackwood emphasized the importance of addressing regulatory concerns, citing the Dodd-Frank Act, Basel III Capital Accords, and the Volcker Rule. The bank faces potential fines and penalties, including a \$2.3 billion market capitalization loss.
4. **Compliance and Risk Management:** Sarah Chen, Compliance Director, discussed the bank's failure to report suspicious transactions to the FBC and inadequate KYC procedures. Evelyn Reed highlighted the risk assessment score of 76, indicating a high level of threat and the need for immediate action.
5. **Strategic Decisions:** The executive committee made several key decisions, including:
 - Establishing an Independent Review Committee to investigate the Investment Fraud issue.
 - Implementing enhanced risk management controls and procedures.
 - Developing a comprehensive remediation plan to address regulatory concerns.
 - Providing support and resources to the Internal Audit Team.

Action Items:

1. Arthur Sterling will convene an emergency meeting with the Board of Directors to discuss the crisis and proposed solutions.
2. Evelyn Reed will lead the Independent Review Committee to investigate the Investment Fraud issue.
3. Sarah Chen will develop and implement enhanced compliance procedures and risk management controls.
4. David Miller will monitor the talent exodus and provide regular updates on the Employee Attrition Rate (EAR).
5. Marcus Thorne will provide support and resources to the Internal Audit Team.

Next Steps:

The executive committee will reconvene within the next 48 hours to review progress and discuss additional measures to address the crisis. The Independent Review Committee will begin its

investigation, and Enhanced Risk Management Controls will be implemented. The bank will continue to provide regular updates on the crisis and its impact on stakeholders.

Confidentiality Level: Confidential

Author: David Miller, HR Director

Risk Assessment Score: 76

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