

URGENT INTERNAL MEMO

CONFIDENTIALITY LEVEL: HIGHLY RESTRICTED

ISSUE CATEGORY: INVESTMENT FRAUD

DEPARTMENT: EXECUTIVE OFFICE

AUTHOR: INTERNAL AUDIT TEAM

DATE: March 10, 2022

SUBJECT: MERIDIAN OPPORTUNITIES FUND: RISK ASSESSMENT UPDATE

To: Arthur Sterling, CEO Office

CC: Evelyn Reed, Risk Management

Sarah Chen, Compliance

David Miller, Human Resources

We have conducted a thorough review of the Meridian Opportunities Fund's financial transactions and risk assessment protocols. Our analysis reveals a high likelihood of investment fraud, with estimated losses exceeding \$500 million.

KEY FINDINGS:

- 1. Mark-to-model valuation discrepancies:** Our forensic analysis indicates that the fund's illiquid asset valuations are overstated by an average of 25%. This discrepancy is consistent with the use of a flawed pricing model, which may be intentionally manipulated to conceal losses.
- 2. Synthetic collateralization:** We have identified a complex web of transactions involving fabricated security structures, including swap agreements and option contracts. These arrangements appear to be designed to conceal the true nature of the fund's assets and liabilities.
- 3. Layering schemes:** Our investigation has uncovered evidence of layering schemes, where transactions are structured to obscure the flow of funds and conceal the true beneficiaries. This tactic is consistent with attempts to launder money or conceal illicit activities.
- 4. Material adverse change (MAC) clauses:** We have discovered that the fund's documentation includes MAC clauses, which could be triggered by the discovery of these fraudulent activities. These clauses may provide a means to recover losses and potentially hold individuals accountable.

DATA-DRIVEN ANALYSIS:

Our analysis of the fund's financial data has yielded the following key metrics:

- **Risk assessment score:** 92.5 (indicating a high likelihood of investment fraud)
- **Operational risk index (ORI):** 85.2 (indicating a high level of operational risk)
- **Compliance risk rating (CRR):** 95 (indicating a high level of compliance risk)

RECOMMENDATIONS:

1. **Immediate freeze of fund assets:** We recommend that all assets associated with the Meridian Opportunities Fund be frozen pending further investigation and potential recovery of losses.
2. **Internal investigation:** We recommend that an internal investigation be conducted to determine the extent of the fraud and identify those responsible.
3. **External audit and review:** We recommend that an external audit and review be conducted to verify our findings and provide an independent assessment of the fund's financial condition.

CONFIDENTIALITY:

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ACTION REQUIRED:

Please respond to this memo with any questions or concerns. We will provide further updates and analysis as necessary.

Sincerely,

Internal Audit Team

EXECUTIVE OFFICE

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