

## **Urgent Internal Memo**

**To:** Arthur Sterling, CEO

**From:** Marcus Thorne, Chief Investment Officer (Investment Department)

**Subject:** Meridian Opportunities Fund - Enhanced Risk Assessment Analysis (Internal Only)

**Date:** March 15, 2021

### **Summary:**

As we continue to monitor the Meridian Opportunities Fund, I have conducted a comprehensive review of its underlying investment structure, focusing on the Cascade Technology Portfolio and the Shadow Creek Investment Vehicle. This analysis reveals a heightened risk profile, necessitating immediate attention and mitigating measures.

### **Key Findings:**

1. **Mark-to-model valuation anomalies:** A detailed examination of the Cascade Technology Portfolio reveals irregularities in the valuation methodology employed by the fund's managers. This discrepancy suggests a potential mispricing of assets, which could compromise the fund's overall performance and value.
2. **Synthetic collateralization:** The Shadow Creek Investment Vehicle exhibits signs of synthetic collateralization, a complex financial structure that appears to be obscuring the true nature of the investments. This arrangement may be used to conceal potential losses or misallocate assets.
3. **Layering schemes:** A pattern of layering schemes has been identified within the fund's transactions, indicating a possible attempt to obscure the flow of funds and conceal illicit activities.

### **Risk Assessment Scores:**

Based on the findings above, I am increasing the risk assessment score for the Meridian Opportunities Fund to 85, reflecting the heightened risk profile. This score is derived from the Enterprise Risk Matrix (ERM) and takes into account the following factors:

- **Investment risk:** 80 (due to the mispricing of assets and potential losses)
- **Operational risk:** 70 (as a result of the synthetic collateralization and layering schemes)
- **Regulatory risk:** 60 (given the potential non-compliance with regulatory requirements)

### **Recommendations:**

To mitigate the risks associated with the Meridian Opportunities Fund, I recommend the following:

1. **Enhanced oversight:** Implement a more rigorous monitoring and oversight regime to ensure compliance with investment guidelines and regulatory requirements.
2. **Valuation adjustments:** Conduct a thorough review of the Cascade Technology Portfolio's valuation methodology and make necessary adjustments to ensure accurate pricing of assets.
3. **Collateralization review:** Investigate the Shadow Creek Investment Vehicle's synthetic collateralization structure and consider alternatives to mitigate potential risks.

**Next Steps:**

I will provide a comprehensive report on the Meridian Opportunities Fund's risk assessment and recommendations to the Executive Committee at the next scheduled meeting.

**Confidentiality:**

This memo is for internal distribution only and should not be shared with external parties without explicit authorization from the CEO.

**Distribution:**

This memo will be distributed to the following internal stakeholders:

- Arthur Sterling, CEO
- Evelyn Reed, Chief Risk Officer (Risk Management)
- Sarah Chen, Chief Compliance Officer (Compliance)

**Token Count:** 718