

## URGENT INTERNAL MEMO

**FROM:** Evelyn Reed, Head of Risk Management

**TO:** Arthur Sterling, CEO; Marcus Thorne, Investment Division; David Miller, Human Resources

**CC:** Sarah Chen, Compliance; James Blackwood, Board of Directors

**SUBJECT:** Whistleblower Report: Meridian Opportunities Fund Anomalies

**INTERNAL ONLY - CONFIDENTIALITY LEVEL: INTERNAL ONLY**

**DATE:** 2021-03-15 14:30 CST

**ISSUE CATEGORY:** Whistleblower Report

**RISK ASSESSMENT SCORE:** 72 (Moderate Risk)

**OPERATIONAL RISK INDEX (ORI):** 62 (Above Average Risk)

### SUMMARY:

This memo summarizes the findings from Rebecca Torres' (Junior Analyst, Investment Division) whistleblower report, submitted on March 10, 2021. The report highlights irregularities in the Meridian Opportunities Fund's (MOF) valuation methodology and suspicious trading patterns.

### ANALYSIS:

Torres' report identifies the following anomalies:

- 1. Inflated Asset Values:** MOF's portfolio valuation exceeds market expectations by 12% on average. This discrepancy is attributed to the use of mark-to-model valuation, which lacks transparency and relies on unverifiable assumptions.
- 2. \*\* Phantom Assets:\*\*** Torres uncovered evidence of fabricated assets, including Cascade Technology Portfolio holdings, with an estimated value of \$120 million. These assets are allegedly linked to Thorne's personal network.
- 3. Unusual Trading Patterns:** The report highlights a series of trades executed by Thorne's team, showcasing a high frequency of transactions between MOF and external entities. This activity raises concerns about potential insider trading and market manipulation.
- 4. Inadequate Risk Management:** Torres asserts that the Investment Division failed to implement adequate risk management protocols, allowing these anomalies to persist undetected.

### MEASUREMENTS & METRICS:

The following metrics support the findings:

- **Risk Assessment Score (RAS):** MOF's RAS has been consistently elevated (72-78) since Q2 2020, indicating a moderate to high risk profile.
- **Operational Risk Index (ORI):** The ORI has been above average (62-68) for the past six months, reflecting increased operational risk exposure.
- **Client Redemption Velocity (CRV):** MOF's CRV has increased by 25% in the past quarter, suggesting client concern and potential withdrawals.

#### **RECOMMENDATIONS:**

To mitigate these risks and prevent further damage:

1. **Immediate Review:** Conduct a thorough review of MOF's portfolio and trading activities to identify and rectify any irregularities.
2. **Risk Management Overhaul:** Implement robust risk management protocols, including enhanced monitoring and reporting mechanisms.
3. **Investigation:** Launch a comprehensive investigation into the allegations raised by Torres, with the involvement of external auditors and regulatory bodies if necessary.

#### **ACTION REQUIRED:**

This memo requires immediate attention from the Investment Division, Human Resources, and the Board of Directors. I request a meeting with Arthur Sterling and Marcus Thorne to discuss the findings and recommendations.

#### **CONFIDENTIALITY:**

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**TOKEN COUNT:** 866