ANNUAL LETTER TO LIMITED PARTNERS

2015 Annual Letter

ANDREW J. ABERNATHEY
Managing Member
3523 45th St. S Suite 100
Fargo, ND 58104
1.701.639.6530

Prepared by:

ABERNATHEY
HOLDING CO.

Table of Contents

Introduction:

Our investment process is to study businesses to understand the earnings they might produce over their lifetimes. Our process is not about quarterly earning beats, event driven situations, M&A takeout values, nor peer relative valuations. It is not to look at what our return could be if we sold a certain business in a year or three years. Our niche is to assess what our return could be if we never sold a particular business.

This is a focus we desire because few people look at securities/companies this way. Trying to assess the range of earnings a business could produce over its life—and then basing valuation just on that—is a methodology that is rarely taught. Even if it were widely taught, most investment funds would have difficulty practicing it because of their asset-liability mismatch. Should they try, their investments (assets) could take longer to work out than their LP capital base (liabilities) is willing or able to wait. Thanks to our Limited Partners, we do not suffer from such a duration mismatch. Not only do we have a structural advantage because of our lockup, but our ability to think long-term is further enhanced because our investors/partners are a self-selecting group. Since we do not market Abernathey Holding Co. (AHC) Partnership's, we did not have to persuade Limited Partners of our philosophy; investing without regard for market turbulence was something they believed in before they called us.

We believe we have built a capital base that is calm in the face of stock price volatility. Over the seven years that I have been investing, not once has a Limited Partner judged me on my short-term performance. This creates a virtuous cycle where we gain confidence in thinking longer-term, which helps improve our performance, which creates greater trust with our Limited Partners, which gives us greater freedom to think longer-term, and so on. Not only does our edge compound slightly as we improve the ever-expandable skill of predicting the lifetime earnings of a business, but it also compounds as we create a capital base that enables us to do so. As with our stocks, we like to look at the lifetime value of our relationships with Limited Partners.

This is not merely touchy-feely stuff. This has economic value. As you allow us to think longer-term, we can in turn focus on a time horizon few others are interested in. A few times a year, that leads us to find mispricing that one would miss if they had to be concerned with a stock's performance in the near term. We think there is relatively less competition trying to predict what we choose to predict. In the years ahead, we will strive to capitalize on the duration gap that plagues the investment industry, expecting it will continue to lead to above average returns on your capital (and our own). Thank you for allowing us to do what we do.

The General Stock Market Picture in 2015:

An individual who ran a medium-sized investment trust once wrote: "The mercurial temperament, characteristic of the American people, produced a major transformation in 1958 and ‘exuberant’ would be the proper word for the stock market, at least".

I think this summarizes the change in psychology dominating the stock market in 2014 and early 2015, at both the amateur and professional levels. During the past year almost any reason has been seized upon to justify “Investing” in the market. There are undoubtedly more mercurially-tempered people in the stock market now than for a good many years and the duration of their stay will be limited to how long they think profits can be made quickly and effortlessly. While it is impossible to determine how long they will continue to add numbers to their ranks and thereby stimulate rising prices, I believe it is valid to say that the longer their visit, the greater the reaction from it.

I make no attempt to forecast the general market - my efforts are devoted to finding undervalued securities/companies. However, I do believe that widespread public belief in the inevitability of profits from investment in stocks will lead to eventual trouble. Should this occur, prices, but not intrinsic values in my opinion, of even undervalued securities can be expected to be substantially affected.

In 2014 CNBC News interviews, I said the following: My view of the general market level is that it is priced above intrinsic value. This view relates to blue-chip securities. This view, if accurate, carries with it the possibility of a substantial decline in all stock prices, both undervalued and otherwise. In any event I think the probability is very slight that current market levels will be thought of as affordable five years from now. Even a full-scale bear market, however, should not hurt the market value of our work-out substantially, especially since NorMont Equipment is the retailer for municipal equipment in the Midwest, which is basically immune from any outside economic problems.

If the general market were to return to an undervalued status we may employ some of our capital in general issues, which could eventually turn into a control position. Conversely, if the market should go considerably higher our policy will be to reduce our general issues as profits present themselves and increase the work-out portfolio.

All of the above is not intended to imply that market analysis is foremost in my mind. Primary attention is given at all times to the detection of substantially undervalued securities/companies.

The past year witnessed a healthy correction in stock prices. I stress the word "healthy" since casual reading of the press or conversing with those who have had only recent experience with stocks would tend to create an impression of unhealthy decline. Actually, it appears to me that the decline in stock prices has been considerably more than the decline in corporate earning power under present business conditions. This means that the public still has a little fear left in them from the 2008 crash. I make no attempt to forecast either business or the stock market; the above is simply intended to dispel any notions that stocks have suffered any drastic decline or that the general market, is at a low level. I still consider the general market to be priced on the high side based on long-term investment value.

Our Activities in 2015:

The market decline in mid-2015 has created greater opportunity among undervalued situations, which gave us an opportunity to build up our portfolio with undervalued situations relative to work-outs than it was last year. Perhaps an explanation of the term "work-out" is in order, since we have many new Limited Partners this year. A work-out is an investment, which is dependent on a specific corporate action for its profit rather than a general advance in the price of the stock, as in the case of undervalued situations. Work-outs come about through: sales, mergers, liquidations, tenders, etc. In each case, the risk is that something will upset the applecart and cause the abandonment of the planned action, not that the economic picture will deteriorate and stocks decline generally. At the beginning of 2015, we had a ratio of 0-100 between general issues and work-outs. Now it is about 27-73. As you already know, the 100% work-out, in early 2015, refers to our acquisition of NorMont Equipment.

During the past year we have taken a position in one situation, which has reached a size where we are now one of the largest shareholders. Since we have this large stake it may lead us to take some part in corporate decisions, within the next couple of years. This one position accounts for 27% of our partnership's portfolio. It will probably take in the neighborhood of three to five years of work, but it presently appears to have potential for a high average annual rate of return with a minimum of risk. While not in the classification of work-outs, they have very little dependence on the general action of the stock market. Should the general market have a substantial rise, of course, I would expect this section of our portfolio to lag behind the action of the market.

Results for 2015:

In 2015 the Partnership's, did worse than the general market. Through the year the S&P 500 Industrial Averages had returns of 1.38%. This loss is roughly equivalent to what would have been achieved by investing in most investment funds. AHC Partnerhip's showed a loss during the year amounting to 4.39%. Like I have said in the past, a performance that is 10% per year better than the Averages would satisfy me. Even though 2015 was not a great year using that metric I am still pleased with the progress we made through the year.

Interpretation of Results:

To some extent our worse than general market performance in 2015 was due to the fact that it was a generally poor year for most stocks. Our performance, relatively, is likely to be better in a bear market than in a bull market so that deductions made from the above results should be tempered by the fact that it was the type of year when we should have done relatively well. In a year when the general market had a substantial advance I would be well satisfied to match the advance of the Averages.

I can definitely say that our portfolio represents better value at the end of 2015 than it did at the end of 2014. This is due to both generally lower prices and the fact that we have had more time to acquire the more substantially undervalued securities/companies, which can only be acquired with patience. Earlier I mentioned our second largest position, which comprised 27% of the assets in the Partnership's. In time I plan to have this represent a large portion of our assets, but this cannot be hurried. Obviously during any acquisition period, our primary interest is to have the stock do nothing or decline rather than advance. Therefore, at any given time, a fair proportion of our portfolio may be in the sterile stage. This policy, while requiring patience, should maximize long-term profits.

(For the full year 2015, AHC Investment Partnership's)

	S&P 500	AHC PARTNERSHIP'S
2013	32.29%	33.88%
2014	13.69%	7.77%
2015	1.38%	-4.39%
ANNUALIZED RETURN SINCE INCEPTION	15.10%	11.32%
CUMULATIVE RESULTS	52.50%	37.90%

1- The results portrayed above are intended to show the investment performance that would have been experienced by a single limited partner in the Partnership's who remained invested throughout each annual or partial year period shown, after expenses, adding in limited partners preferred returns, and before the deduction of the profit allocation that the "General Partner" would have accrued as of the end of each year. Results are based on the Partnership's internal books and may differ from the audited financial statements. Future investments may be made under different economic conditions and in different securities and using different investment strategies than were used during the time discussed herein. It should not be assumed that future investors will experience returns, if any, comparable to those of the Partnership discussed herein. The information given above is historic and should not be taken as any indication of future performance.

Over a period of time there are going to be good and bad years; there is nothing to be gained by getting enthused or depressed about the sequence in which they occur. The important thing is to be beating par; a four on a par three hole is not as good as a five on a par five hole and it is unrealistic to assume we are not going to have our share of both par three's and par five's. The above dose of philosophy is being dispensed since we have a number of new partners this year and I want to make sure they understand my objectives, my measure of attainment of these objectives, and some of my known limitations.

It should be emphasized again that these results are after all expenses of operation, adding in limited partners preferred return, and before the deduction of the profit allocation to the "General Partner". The overall gain or loss is computed on a market to market basis. After allowing for any money added, such a method gives results based upon what would have been realized upon liquidation of the partnership's at the beginning, of the year and what would have been realized upon liquidation at year end and is different, of course, from our tax results, which value securities at cost and realize gains or losses only when securities are actually sold.

Advance Payments:

Multiple Partners have inquired about adding money during the year to the Partnership's. By opening offering 2, in mid-2015, it made it possible for the limited partners to do so. I had to reevaluate the Partnership's at that time, which showed an increase in our unit price from $50,000 to $60,000/ unit. That offering is now closed and a new offering of $65,000/ unit is now issued. If you have any interest in investing more capital, or know of anyone who would like to, please fill out the Subscription Agreement that is provided with this letter. It will be Exhibit A in the PPM (Private Placement Memorandum) booklet.

When I have an investment lined up we do accept advance payments during the year and will start your preferred return at the time payment is received. It will also immediately participate in profits and losses as well.

Insurance Company Investment:

I mentioned above we made an investment which accounted for a very high proportion (27%) of our total assets ($5,709,026.91) along with the comment that I had some hope we would have control of this company within the next few years. The history of an investment of this magnitude may be of interest to you. The companies name will not be released until we have control. The reason for that is to prevent any coat tailing that could occur.

This Insurance Company operates as an insurance holding company, which through its subsidiaries offers life, accident and health, supplemental hospital and cancer insurance products. The company, through its subsidiaries, operates through two segments: Property & Casualty Insurance and Life Insurance. The Property and Casualty Insurance segment engages in writing personal lines dwelling coverage including dwelling fire and windstorm, homeowners and mobile homeowner's lines of insurance through its subsidiaries. The Life Insurance segment offers a basic line of life and health and accident insurance products through its other subsidiary. The company was founded in 1947 and is headquartered in the same town it was when it started.

The company brought in premiums/float of approximately $65,000,000 in 2015. The reason a float is attractive is because it is money that is paid up front to an insurance company through premiums, but the company does not have to pay them back for a period of time. Since they have it for a period of time they invest the floats in bonds, securities, and etc. By giving us liquid cash that we can use for our investing, it eliminates the need to raise more capital than needed from new investors, which if we were to raise unneeded capital would dilute our current investors value in the Partnership's.

The operating company itself makes money with their underwriting, which is done in a central office. This evaluation would decide whether the risk was properly rated, the degree of conflagration exposure in an area, advisable reinsurance procedure, etc. This will help them appropriately price their products to their customers. The goal of the operating insurance company is to turn roughly a 5% to 10% return with their underwriting. The rest of the returns come from the investment side of the operation. They have built their invested assets to over $110 Million.

They also get reinsurance from another company to protect them from catastrophic events. By doing that they get insurance for their potential loss, which will protect them if there are any catastrophic events in one year, which in this example we can use 2008(explained below). The company will just have to pay a detectable and the reinsurance company will pay for the majority of the claims.

For sixty-nine years the business operated in fantastic steady growth pattern, with profits realized in every year accompanied by almost complete immunity to recession and lack of need for any sales effort.

Although the company had a lot of problems happen all at once. In 2008 results were the product of three series of events: unusual tornadic activity in the first half of the year; two major hurricanes in the second half of the year; and, the financial market meltdown which began in the fall of the year. The combined effect of these events was considerably more than their otherwise profitable underwriting results could offset, resulting in the worst earnings year in Company history. Tornado and spring storm activity during the first half of the year was unprecedented. They were impacted by 19 designated catastrophic events, which caused damage in all nine of the states in which they write property insurance. Company losses from these events totaled approximately $5 million on a pre-tax basis. Hurricanes Gustav and Ike impacted their operations in September, causing widespread damage primarily in coastal Louisiana and Texas, but also in inland areas. Gross losses from these two events were approximately $20 million, and after catastrophe reinsurance recoveries, impacted earnings by approximately $7.5 million on a pre-tax basis. And finally, the financial market upheaval in the third and fourth quarter led to investment impairment losses in excess of $2 million on a pre-tax basis. With all of these struggles their stock dropped to nearly $5/share or a market cap of about $12,550,000.

The reason we have made large investments in this company is for multiple reasons. The management and staff is humbled and their salaries are some of lowest in the industry. The book value of the company is approximately $18/share, their market cap is only $34M ($13.54/share), they have very low debt, and they have $150 million of total assets under management.

When I value out a company I always like to look at a competitor to use as a benchmark. In this case I used a company called Kingston Companies, which is also an insurance company. Their market cap is about $65 Million, and their earnings are around $5.3 million. Where, like I said above, our company's market cap is $34 million and our earnings are about $7.62 Million. So as you can see even with higher earnings they are still half the price. Kingston CEO Salary is over $1,000,000 a year and our CEO is only getting a salary of around $250,000 a year.

Our insurance company is a great example of what we look for in a company. Good, modest key executives, priced below book value, and have shown that they can come back from a big beating. These are the reasons that we are now one of the largest shareholders of the company, and hopefully in the next few years we can take control of the company. Unaudited finances for the insurance company are attached as Exhibit A.

NorMont Equipment Co.:

The high point of 2015 from a performance standpoint was our present control situation -100% owned NorMont Equipment. NorMont has been primarily in municipal equipment (mostly items retailing for $150,000 or under), pavement maintenance equipment, pavement supplies and safety equipment.

The operations for the past decade have been characterized by static sales, due to the fact of low number of salesman, and no profits in relation to invested capital. We obtained control -65% in January 2015 at a price of $1,827,328.75. Then in December of 2015 we bought the remaining 35% of the stock for a price of $1,106,903.19. When control of a company is obtained, obviously what then becomes all important is the value of assets, not the market quotation for a piece of paper (stock certificate).

Initially, we worked with the old management toward more effective utilization of capital, better operating systems, more sales individuals, etc. These efforts were completely fruitless. After spinning our wheels for about two months, it became obvious that while lip service was being given to our objective, either through inability or unwillingness, nothing was being accomplished. A change was necessary.

An acquaintance, whose inclination is not toward enthusiastic descriptions, highly recommended Luke Stewart for our type of problem. In March 2015, I met Luke in Great Falls, presented a deal which would provided rewards to him based upon our objectives being met, and on April 18th he was sitting in the president's chair in Great Falls. Luke is unquestionably the man of the year. Every goal we have set for Luke has been met, and all the surprises have been on the pleasant side. He has accomplished one thing after another that has been labeled as impossible, and has always taken the tough things first. Our breakeven point has been cut virtually in half, slow moving or dead merchandise is being sold or written off, and marketing procedures have been revamped. NorMont Equipment has a physical year ending October 31st. Internally prepared, consolidated unaudited 2015 annual Profit and Loss Statement (in compliance with GAAP), and consolidated unaudited 12/31/15 Balance Sheet (in compliance with GAAP) are attached as Exhibit B, and Exhibit C.

The Joys of Compounding:

In this part of the letter I like to talk about the power of compounding. I have it from unreliable sources that the cost of the voyage Isabella originally underwrote for Columbus was approximately $30,000. This has been considered at least a moderately successful utilization of venture capital. Without attempting to evaluate the psychic income derived from finding a new hemisphere, it must be pointed out that even had squatter's rights prevailed, the whole deal was not exactly another IBM. Figured very roughly, the $30,000 invested at 4% compounded annually would have amounted to something like $13,004,795,600,000 (that's over $13 trillion for those of you who are not government statisticians) by 2015. Historical apologists for the Indians of Manhattan may find refuge in similar calculations. Such fanciful geometric progressions illustrate the value of either living a long time, or compounding your money at a decent rate. I have nothing particularly helpful to say on the former point.

The following table indicates the compounded value of $100,000 at 5%, 10% and 15% for 10, 20 and 30 years. It is always startling to see how relatively small differences in rates add up to very significant sums over a period of years. That is why, even though we are shooting for more, we feel that a few percentage points advantage over the Dow is a very worthwhile achievement. It can mean a lot of dollars over a decade or two.

	5%	**10%**	**15%**
10 years	$162,889	$259,374	$404,553
20 years	$265,328	$672,748	$1,636,640
30 years	$432,191	$1,744,930	$6,621,140

Welcome Aboard:

We are excited to announce the addition of Guy Abernathey, David P. Nelson, Jack Paris, and William McManus as Board Members to our Meridian Investments Partnership.

Guy Abernathey: Guy serves as a board member of the Meridian Investments Partnership. Guy is currently a founding partner in the "City2Beach®" residential real estate company providing services in New York City and the Delaware Shore for over 16 years. In addition to his real estate expertise, Guy brings to the table a diverse background including 17 years of financial management, lobbying Capitol Hill in Washington, DC and as a private business owner. He is a graduate from the University of North Dakota with a BSBA in accounting.

David P. Nelson: David serves as a board member of the Meridian Investments Partnership. David is an experienced real estate professional. He currently works as Vice President at Fidelity National Title/ National Commercial Services in the Washington, D.C. metro area. He previously worked at Commonwealth Land Title Insurance Company, Lawyers Title Insurance Company and was educated at University of Arkansas at Little Rock, William H. Bowen School of Law.

William McManus: William serves as a board member of the Meridian Investments Partnership. William is an honors graduate of the University of Hartford in West Hartford, Connecticut. Shortly after graduating college, William went into a career as a Financial Advisor with then, Investors Diversified Services, Inc, which later became American Express Financial Advisors and now Ameriprise Financial. After a long career of financial planning, he went on to training and management as Trainer and District Manager in the Boston area and eventually Vice President in Virginia Beach, Virginia. He retired as Director of Business Operations overseeing the Washington, DC/Baltimore area. With 37 plus years in the financial world, William brings a wealth of knowledge to Meridian. He also serves on several other National and International Boards.

Jack Paris: Jack serves as a board member of the Meridian Investments Partnership. Jack is 1976 graduate of the University of Wisconsin-Green Bay. He began his career in the oil & gas business in 1979 when he became a landman in Bismarck, North Dakota for Cody, Inc. Jack became a Certified Professional Landman in 1988, and in 1991, he purchased an ownership stake in Cody Oil and

Gas Corporation. He and his partner built the business into a very successful oil and gas exploration company that they sold to Formation Energy, LP in 2014. Following the sale of their company, he and his partner formed Cody Exploration, LLC where they continue to pursue exploration deals in the Bakken and other areas throughout the United States.

As the Board Members for the Meridian Partnership, these individuals will have the following roles at Meridian Investments: They will provide advice and counsel on strategic issues, and another layer of risk management to the Meridian Partnership. They will be available to contribute to the due diligence process on potential investments, and to the monitoring of existing positions. Think of their role as providing the Meridian Partnership with another set of eyes. They have also invested their personal capital in that partnership, aligning their interests with those of the partnership's other partners.

Miscellaneous:

This year marked the transition from the office off the bedroom to one a bit (quite a bit) more conventional. Surprising, as it may seem, the return to a time clock life has not been unpleasant. As a matter of fact, I enjoy not keeping track of everything on the backs of envelopes.

We are starting off this year with total assets of $5,709,026.91. At the start of 2015, I now have a total interest of $390,000 in the Partnership's. Also, my father, mother, brother, sister in-law, grandma, grandpa, and uncles have interests directly or indirectly in the fund. So we are all eating our own cooking you could say.

We have had a pleasant year working with our legal team Frederickson & Byron as well as with our accounting team Brady & Martz. They continue to always be there for any questions we may have.

The office I am now in is called Regus and they are in charge of equipping the office, which means we did not follow my "orange crate" approach to interior decorating. We have an ample supply of coffee on hand and look forward to partners dropping in.

I also included our latest offering, along with this letter, so you have the updated Subscription Agreement (Exhibit A) if you would like to purchase more units. If that is of interest, to you, please fill out the Subscription Agreement and mail it to our offices along with a down payment of 15%.

You will be receiving your k-1s very soon, and if you have questions on any of the information be sure to let me hear from you.

Cordially,

Andrew J. Abernathey
General Partner

DISCLOSURE:

1 2015 performance includes January 1st, to December 31st, 2015

2 Performance data of the Dow-Jones Industrials is included to facilitate comparisons between the Partnership's returns and overall market performance. Due to the differences among the Partnership's investment strategies and the securities that compose the Dow-Jones Industrials, the General Partner cautions potential investors that no such index is directly comparable to the Partnership's investment strategy. Dow-Jones Industrials performance results include the reinvestment of dividends.

3 The results portrayed above are intended to show the investment performance that would have been experienced by a single limited partner of the Partnership who remained invested throughout each annual or partial year period shown, after the reinvestment of interest, dividends, and other earnings, and the deduction of costs and the profit allocation that the "General Partner" would have accrued as of the end of each year. Results are based on the Partnership's internal books. Future investments may be made under different economic conditions and in different securities and using different investment strategies than were used during the time discussed herein. It should not be assumed that future investors will experience returns, if any, comparable to those of the Partnership discussed herein. The information given above is historic and should not be taken as any indication of future performance. The average cash balance is calculated based on month-end numbers provided by our fund administrators. This document does not constitute an offer to sell or the solicitation of an offer to purchase any security or investment product. Any such offer or solicitation to invest in the AHC Partnership's (the "Partnership's") may only be made by means of delivery of an approved confidential offering memorandum. Past results are no guarantee of future results and no representation is made that an investor will or is likely to achieve results similar to those shown. All investments involve risk including the loss of principal. Performance results in separately managed accounts will be different from the performance results of Partnership's. The Partnership's or affiliated entities ("AHC, LLC") is not responsible for any liabilities resulting from errors contained in this communication. AHC will not notify you of any errors that it identifies at a later date. An investment in any product managed or offered by AHC, LLC may be deemed speculative and is not intended as a complete investment program. It is designed only for sophisticated persons who are able to bear the risk of the substantial impairment or loss of their investment in the Fund. Products managed or offered by AHC, LLC are designed for investors who do not require regular current income and who can accept a certain degree of risk in their investments.