

Meridian Investments, LLC

Prepared by:

ABERNATHEY
HOLDING CO.

819 30th Ave S, Suite 206A
Moorhead, MN 56560
T: 701.263.7425
aa@ritaway.com

July 10, 2017

Dear Limited Partners:

I hope this letter finds you having a great summer. After four strong years, we've taken some losses in a couple of our "place holders", leading to a loss in our first six months of the year.

(For the first half of 2017, Meridian Investments, LLC)

	S&P 500	AHC PARTNERSHIP
2013	32.29%	33.88%
2014	13.69%	7.77%
2015	1.38%	-4.39%
2016	11.96%	21.00%
(first half) 2017	9.34%	-7.50%
<i>ANNUALIZED RETURN SINCE INCEPTION</i>	14.88%	10.13%
<i>CUMULATIVE RESULTS</i>	86.70%	54.40%

- 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 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 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.

The main drivers to this loss, both realized and unrealized, was in our marketable securities portfolio. We had purchased Hertz, Global Power Equipment, Transocean, Atwood, Noble, and Bristow Group (BRS) all at a very large discount in the last 6 months (in the bottom one-third we would say). After they all declined further a considerable amount, creating an unrealized loss, our favorite holdings (BRS) was the one that declined the most. So we made the decision to sell all of our other marketable security holdings, except (BRS), and took those proceeds to buy more BRS stock at a much lower price. Even though this turned unrealized losses into realized we see this action as a good investment with plenty of upside at the prices we purchased the stock at.

The actions we took reflect Meridian's basic investment philosophy, which is:

- **We invest for the long term**
- **We remain confident in market volatility**

Our Top Holdings

Money manager Chris Davis is fond of saying 'You make your money in a down market; it just doesn't seem like it at the time.'

Bristow Group:

The above statement is very true when it is applied to our Bristow Group (BRS) holdings in 2017, thus far. We spoke a little about our current investment in BRS in our 2016 annual letter. We mentioned that our investment in BRS at the beginning of the 2016 4th quarter inflated our overall annual return from 18% to over 28% in just 3 months' time. This was due to a sudden rise in the BRS stock price after we purchased our shares. This was a prime example of the market getting ahead of itself, but of course, we were not complaining.

Since that time, BRS has come back down to a much lower valuation. As we all know, this kind of activity does not bother us as long term value investors. We look at this as an opportunity to buy more of a good thing at a better price or a time to sit and let the company do their work.

We look at purchasing our general's like the grain market for a farmer. Andrew's father always told him, "if you always shoot to sell your grain at the top price you will fail more than you will win, but if you simply target the top one-third every time and are successful at doing so, you

will be a successful farmer in the long run.” Or in Andrew’s words, “even a broken clock is right two times a day...AND...I want to do better than a broken clock.”

We like to use this mentality on both ends of the spectrum. We try to buy our general’s at the bottom one-third and sell them at the top one-third. We feel very confident that we have accomplished that with our current general (BRS).

National Security Group (Insurance Company):

The ending of 2016 and the beginning of 2017 have been challenging for the P&C Industry as a whole. Industry underwriting losses added up to \$7 billion in the first quarter; which was the most underwriting losses in one quarter in the last 20 years. One of the reasons for this loss was the increase in natural disasters. For example, there were 425 tornadoes in the first quarter of 2017 compared to a three-year average of 93.

Starting in 2013, the industry as a whole had underwriting profits for 3 years in a row that ended in 2016 after record claims. At these moments in time, we like to look at our company (NSEC) to see how they stack up to what you would consider “average”. One of the biggest goals for NSEC since 2012 is not to merely write business just to throw revenue up on the board, but to write business that is profitable, and that is just what they have done. Even though the industry as a whole had an end to their 3-year underwriting profit; NSEC chalked up their fourth consecutive year in 2016 for an underwriting profit.

Another example of NSEC’s progress in their underwriting department: in 2012 they had a total of \$4,515,000 in claims and they reported an annual operating **loss** of (\$526,000). In 2016 with a total of \$9,742,000 in claims (\$5,227,000 more than in 2012) they had an annual operating **profit** of \$3,096,000.

Another large goal of NSEC’s was to lower their debt/equity ratio from 88/12 in 2012 to 30/70 by 2017. NSEC ended 2016 with a debt/equity ratio of 34.6/65.4, and they are right on track to hit their overall goal by 2017. Not only will this make NSEC’s balance sheet look better, but this should also allow them to get to an A- rating, which will help them write more policies in the long run.

We sometimes get comments from partners saying: “Say, NSEC is up four points-that’s great!” Or “What’s happening, NSEC was down three last week?” Daily market price is irrelevant to us in the valuation of our large interests. We valued NSEC at \$17.91 at the end of 2016 when the market was over 18, and currently at \$17.90 when the market is around 15. We would have done the same thing if the markets had been 10 and 50, respectively. (“Price is what you pay,

value is what you get.”) We will prosper or suffer in large investments in relation to the operating performances of our businesses we will not attempt to profit by playing various games in the securities markets.

NorMont Equipment Company:

NorMont Equipment is one of our favorite projects. Whether it’s because it was our first “baby” or just because we have been more involved, we do thoroughly enjoy watching NorMont grow.

In the first two years of operation, NorMont spent their time getting the right people, process, and infrastructure in place to get them to the next level. This process made NorMont’s first two years of financial results not as attractive, but now that they have most of the pillars in place, they are starting to see real progress.

To give you some examples of growth; when we bought NorMont Equipment, it was mostly a large parts business with great margins. In order for NorMont to get to the next level they needed to bring in three additional avenues of revenue; service, equipment sales, and rentals.

Last year (2016) NorMont’s sales totaled \$4,483,506 (71.6% of that was parts revenue, .83% was service revenue, 23.11% was equipment revenue, and 4.46% was rental revenue). This year Luke Stewart (NorMont’s manager) set out on a goal to hit \$3,500,000 in parts revenue, \$3,000,000 in equipment revenue, \$100,000 in service revenue, and \$150,000 in rental revenue; which is a grand total of \$6,750,000 in company revenue.

To date “6/30/2017” NorMont’s totals are as follows:

- Parts..... \$1,813,837.....(51.8% of goal)
- Equipment.....\$2,535,101.....(84.5% of goal)
- Service..... \$36,779.....(24.5% of goal)
- Rental..... \$80,000.....(53.3% of goal)
- Total..... \$4,465,717.....(66.2% of goal)**

As you can see they are on track for their year-end goals!

We are a big believer that a company is only as good as its management, and after 2 years on the job, Luke Stewart has shown that he is the man for the job. NorMont owes him a great gratitude for picking up his wife and three kids and moving to Great Falls to run this operation.

If any of you know of any municipal equipment dealerships for sale, please let us know..... We are on the hunt for more.

* * *

Meridian Investment, LLC units are currently not for sale. We are getting very close to our maximum size limit, but remember, Meridian’s goals have not changed;

- We strive to find great companies at a fair price to hold for long periods of time
- We have a goal to beat the general market over a long period of time. “Whether that is a 1% advantage or a 10% advantage it is a win in our eyes, and we hope it is still a win in your eyes”

As always none of this could be possible without each and every one of our 75 partners– thank you!

Cordially,

Andrew J. Abernathey
General Partner

Guy Abernathey
Board Member

David Nelson
Board Member

Jack Paris
Board Member

William McManus
Board Member

DISCLOSURE:

1 First Half 2017 performance includes January 1st, to June 30st, 2017

2 Performance data of the S&P 500 is included to facilitate comparisons between the Partnership returns and overall market performance. Due to the differences among the Partnership investment strategies and the securities that compose the S&P 500, the General Partner cautions potential investors that no such index is directly comparable to the Partnership investment strategy. S&P 500's 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 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 Partnerships 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 (the "Partnership") 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. The Partnership 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. There is information in this letter that has been used from other analysis letters, and is used for the purpose to get information across to our partners.

