

**ASTER INVESTMENT MANAGEMENT
COMPANY, INC.**

FINANCIAL STATEMENT – Balance Sheet Only

Year Ended December 31, 2012

ASTER INVESTMENT MANAGEMENT COMPANY, INC.

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Independent Auditors' Report

To the Board of Directors and Stockholders
Aster Investment Management Company, Inc.

We have audited the accompanying balance sheet of Aster Investment Management Company, Inc. as of December 31, 2012, and the related notes to the balance sheet.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of Aster Investment Management Company, Inc. as of December 31, 2012, in accordance with accounting principles generally accepted in the United States of America.

Eckhoff Accountancy Corporation

San Rafael, California
February 28, 2013

ASTER INVESTMENT MANAGEMENT COMPANY, INC.

Balance Sheet December 31, 2012

Current Assets:

Cash	\$ 2,469,996
Accounts receivable - management fees	1,924,148
Prepaid expenses	<u>152,767</u>

Total Current Assets 4,546,911

Property and equipment, net 31,636

Deposits 5,584

Total Assets \$ 4,584,131

Current Liabilities:

Accounts payable	\$ 35,611
Accrued payroll and payroll taxes	250,049
Retirement plan contribution payable	<u>276,699</u>

Total Current Liabilities 562,359

Stockholders' Equity:

Common stock - authorized 100,000 shares, no par value, issued and outstanding 45,000 shares	35,000
Additional paid-in capital	5,058
Retained earnings	<u>3,981,714</u>

Total Stockholders' Equity 4,021,772

Total Liabilities and Stockholders' Equity \$ 4,584,131

The accompanying notes are an integral
part of this financial statement.

ASTER INVESTMENT MANAGEMENT COMPANY, INC.

Notes to Financial Statement

Note 1 - Summary of Business Activities and Significant Accounting Policies:

Organization:

Aster Investment Management Company, Inc. (the Company), a California S corporation, was registered as an investment adviser May 31, 1977 with the Securities and Exchange Commission pursuant to the terms of the Investment Advisors Act of 1940. The Company provides investment management services to mutual funds, institutional, and individual clients within the United States.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations:

The Meridian Equity Income Fund, the Meridian Growth Fund, and the Meridian Value Fund are managed by the Company under an annual investment management agreement with those funds. The Company uses a portion of the management fees to pay certain expenses of the funds. For the year ended December 31, 2012, the Company received approximately 99% of its management fees from these funds. If these funds were to incur a significant decline in value, the Company's management fees would decline proportionately. The entire balance of accounts receivable was from these funds as of December 31, 2012.

The Company's cash accounts are kept in a custodial bank invested in a money market mutual fund. Under the Securities Investor Protection Act of 1970, each custodial account is afforded \$500,000 of insurance coverage with a maximum of \$100,000 for cash claims under the auspices of the Securities Investor Protection Corporation (SIPC), a federal corporation. At December 31, 2012, the Company had deposits in the money market account substantially in excess of the SIPC maximum coverage for cash claims. Merrill Lynch, the independent custodian for the money market account, provides additional insurance protection up to the full value of the account through an independent insurance company.

ASTER INVESTMENT MANAGEMENT COMPANY, INC.

Notes to Financial Statement

Note 1 - Summary of Business Activities and Significant Accounting Policies: (Continued)

Accounts Receivable:

Accounts receivable consists of management fees from the Meridian Funds. The Company considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Property and Equipment:

Property and equipment are recorded at cost. Repairs, maintenance, and minor replacements are expensed as incurred. For financial reporting purposes, depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, which range from three to seven years for furniture, fixtures, and office equipment and the remaining life of the lease for leasehold improvements.

Assets Under Management:

In the normal course of operations of an investment manager, clients add investments to and withdraw investments from their asset portfolios. This activity is done by clients as they continue to make investment decisions and diversify their portfolios. For the year ended December 31, 2012, the net assets under management decreased by \$537,048,789 to \$2,718,941,779.

Revenue Recognition:

Management fee income represents fees billed monthly, quarterly, or semi-annually for managing the assets of clients. The fees are recognized as services are rendered and are based upon a percentage of the market value of client assets managed. Any fees collected in advance are deferred and recognized as income over the period earned. At December 31, 2012, there was no deferred revenue.

Income Taxes:

The Company has implemented the generally accepted accounting guidance for uncertainty in income taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the position will be sustained upon examination by the tax authorities.

Fair Value Measurements:

Generally accepted accounting principles provide a framework for measuring the fair value of assets and liabilities that utilizes a fair value hierarchy. At December 31, 2012, the Company had no assets or liabilities that were required to be valued using the fair value hierarchy.

ASTER INVESTMENT MANAGEMENT COMPANY, INC.

Notes to Financial Statement

Note 2 - Property and Equipment:

Property and equipment is summarized as follows:

Office equipment	\$ 87,763
Furniture and fixtures	95,613
Leasehold improvements	<u>23,223</u>
	206,599
Accumulated depreciation	<u>174,963</u>
	<u>\$ 31,636</u>

Note 3 - Lease Commitment:

The Company leases its Corporate facilities under a noncancelable operating lease with a term of 60 months effective January 1, 2010. The lease terms require a base monthly payment which escalates approximately 3% per annum, as well as an additional monthly amount to cover the lessor's operating expenses. The monthly operating expense is currently estimated at \$100 and is not included in the minimum future rental payments below. Minimum future rental payments having a remaining term in excess of one year to expiration of the lease on December 31, 2014 are as follows:

<u>Years Ending December 31,</u>	
2013	\$ 105,999
2014	<u>109,178</u>
	<u>\$ 215,177</u>

ASTER INVESTMENT MANAGEMENT COMPANY, INC.

Notes to Financial Statement

Note 4 - Investment Advisory Fees and Other Transactions with Related Parties:

The Company provides investment advisory services to Meridian Fund, Inc. (the Meridian Fund) a series investment company, under management agreements that provide for management fees to be received from the Meridian Fund as compensation for its services. Fees are paid monthly and calculated based on that month's average daily net assets.

The Meridian Equity Income Fund (the Fund) was registered and began operations on January 31, 2005. The management agreement provides for an expense reimbursement from the Company if the Fund's total expenses exceed 1.25% of Fund assets. Subject to the approval of the Board of Directors of the Fund, the Company can be reimbursed for management fees and expenses paid on behalf of the Fund for up to three years subsequent to the fees and expenses being earned and incurred. Fees and expenses will be paid to the Company to the extent Fund expenses drop below 1.25% after giving effect to any repayment by the Fund. During the year ended December 31, 2012, management waived fees totaling \$67,977, and the total balance of carried forward waived fees and expense that may be repaid to the Company by the Fund was \$109,924 as of December 31, 2012. For the year ended December 31, 2012, no amounts have been reflected in the accompanying financial statement for management fees or reimbursed expenses receivable as future repayment is uncertain.

Certain Officers and/or Directors of the Company are also Officers and/or Directors of the Meridian Fund.

Beneficial ownership of the Meridian Fund by stockholders of the Company as of December 31, 2012 was as follows:

	Meridian Equity Income Fund	Meridian Growth Fund	Meridian Value Fund
Richard F. Aster, Jr. Trust *	73.26%	0.88%	2.57%
A minority stockholder	0.09%	0.49%	0.57%

* See Note 8

Note 5 - Employee Benefit Plans:

The Company sponsors a nonstandardized 401(k) profit sharing plan. The plan provides for elective deferrals, safe harbor nonelective contributions and discretionary profit sharing contributions. The plan covers all employees 21 years of age with one year of employment who work 1,000 hours or more per year.

ASTER INVESTMENT MANAGEMENT COMPANY, INC.

Notes to Financial Statement

Note 5 - Employee Benefit Plans: (Continued)

The Company sponsors a Health Savings Account plan for the benefit of all eligible employees. The maximum annual contribution for the year ended December 31, 2012 is the lesser of the amount of the deductible under the Company's high deductible health plan or \$3,100 for an individual, \$4,100 for an individual 55 or older, or \$6,250 for a family.

Note 6 - Income Taxes:

Effective January 1, 1997, the Company elected to become an S corporation for income tax purposes. As a result of this change, the Company's taxable income is passed directly through to the stockholders and is included in their individual income. No federal corporate level tax is imposed on S corporations; however, the State of California imposes a 1.5% rate subject to a minimum of \$800. The Company records are maintained on the accrual basis for financial statement purposes and on the cash basis for income tax purposes. Deferred tax assets and liabilities associated with the 1.5% rate are generally insignificant and are not recognized.

The Company believes that it has appropriate support for the positions taken on its tax returns. Therefore, as of December 31, 2012, the Company had no uncertain tax positions that qualify for either recognition or disclosure in the financial statement.

The Company is no longer subject to U.S. federal income tax examinations by taxing authorities for years before 2009. The Company is no longer subject to state of California income tax examinations by taxing authorities for years before 2008.

Note 7 - Common Stock:

The Company is authorized to issue 100,000 shares of no par value common stock. At December 31, 2012, 45,000 shares were issued and outstanding. As of December 31, 2011, 43,200 shares were owned by Richard F. Aster, Jr. Upon his death on February 16, 2012, ownership of these shares was transferred to the Richard F. Aster, Jr. Trust. See note 8, below.

Note 8 - Changes in Stockholders and Key Management:

On February 16, 2012, the President and majority shareholder, Richard F. Aster Jr., passed away. In connection with his death, Mr. Aster's ownership interest in the Company was transferred to the Richard F. Aster Jr. Trust (the "Trust"). First Republic Trust Company ("First Republic") was appointed co-trustee of the Trust.

ASTER INVESTMENT MANAGEMENT COMPANY, INC.

Notes to Financial Statement

Note 8 - Changes in Stockholders and Key Management: (Continued)

Under the terms of the appointment as co-trustee, First Republic has sole authority to make all decisions regarding the Trust's ownership interest in the Company as well as the management and operations of the Company. Subsequent to Mr. Aster's death, the minority shareholder was appointed Acting Chief Executive Officer and sole Director.

Note 9 - Subsequent Events:

Management has evaluated events occurring subsequent to the date of the financial statement through February 28, 2013, which is the date the financial statement was available to be issued, and has noted no events with respect to the Company that would require recognition or disclosure in the financial statement.