

# MERIDIAN FUND, INC.

July 11, 2006

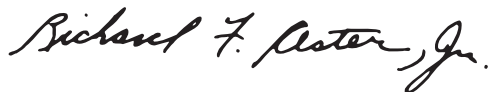
To Our Shareholders:

Stocks experienced a difficult quarter, with investors anticipating higher inflation and slower economic growth during the balance of the year. The S&P 500 declined 1.9%. Small cap stocks, after a strong March quarter, were hardest hit: the NASDAQ dropped 7.2% and the Russell 2000 declined 5.0%. Transportation, lodging and energy related stocks were among the best performing sectors. The worst performing groups included home construction, tires and toys. Interest rates continued higher. The rate on the ten-year government bond advanced from 4.85% to 5.14%.

The economy grew at a rapid rate of 5.6% during the first quarter, but slowed during the just ended June quarter and is expected to post modest growth during the balance of 2006. Inflation has become a concern, fueled by higher commodity prices. The Federal Reserve has raised the Fed Funds rate to 5.25% and is pursuing more restrictive money growth to combat the rising inflationary pressures. The question is how long will the Fed's policy take and how much damage will it do to the economy. We believe the job will be completed during the second half of this year and will result in slower growth, but not a full-scale recession. The strongest economic sector during the balance of the year, in our opinion, will continue to be business fixed investment. We expect consumer expenditures will show modest growth, with the exception of residential construction and auto sales.

We welcome those new shareholders who joined the Meridian Funds during the quarter and appreciate the continued confidence of our existing shareholders.

The prospectus, news articles and information on how to purchase shares of the Funds are available on our website at [www.meridianfund.com](http://www.meridianfund.com).



Richard F. Aster, Jr.

## Meridian Equity Income Fund®

The Meridian Equity Income Fund's net asset value per share at June 30, 2006 was \$11.05. This represents an increase of 5.5% for the calendar year to date. The Fund's total return and average annual compound rate of return since inception, January 31, 2005, were 11.9% and 8.3%,

respectively. The Fund's assets at the close of the quarter were invested 4.3% in cash and 95.7% in stocks. Total net assets were \$25,450,702 and there were 457 shareholders.

The Equity Income Fund continues to focus on companies with above-average yields and strong financial returns that, in our opinion, have the ability to grow dividends. The portfolio is diversified with 36 positions representing 25 different industry groups. At the end of the second quarter, the portfolio's average holding had a return on equity and average dividend yield of 17.7% and 2.96% respectively, both measures substantially higher than the average S&P 500 stock. The average position had a market capitalization of \$16 billion, a debt ratio of 45% and earnings per share that are expected to grow 9.3% during the next several years. We believe these financial characteristics will lead to positive returns for the Fund.

During the quarter we purchased shares of IHOP, Mercury General, RPM International and VF Corp. We sold our shares in Jefferson-Pilot, Kinder Morgan, Masco Corp. and Pacer International.

We recently purchased shares in VF Corp., a leading manufacturer of branded apparel and related items in the U.S. and internationally. The company's broad product line includes leading brands in jeans wear, outdoor apparel, intimate apparel and sportswear. Products are sold to department stores, specialty stores, chain stores and discounters. VF Corp. continues to gain share in this large market through expanded product offerings and selected acquisitions. The shares yield 3.18%, sell at 13.8 times earnings and the company has strong financial characteristics. Return on equity has averaged 19% during the past five years, debt is a conservative 25% of total capitalization and future earnings are expected to grow at 10%. We believe VF Corp. will be a rewarding investment for our shareholders.

### **Meridian Growth Fund®**

The Meridian Growth Fund's net asset value per share at June 30, 2006 was \$38.54. This represents an increase of 5.4% for the calendar year to date. The Fund's total return and average annual compound rate of return since inception, August 1, 1984, were 1,608.9% and 13.8%, respectively. The Fund's assets at the close of the quarter were invested 5.1% in cash and cash equivalents and 94.9% in stocks. Total net assets were \$1,689,374,318 and there were 72,438 shareholders.

The interest rate and general economic issues referred to above make investing more difficult for now, but much of the uncertainty, in our opinion, is reflected in current prices. Valuations on small and mid-cap stocks are more attractive than they have been for some time. We believe this sector will experience positive investment results during the next several years. Stock selection, as usual, will be critical. Our heaviest areas of concentration remain technology, industrial services, consumer related and health care.

During the quarter we purchased shares of Carters, Cerner Corp. and RPM International. We sold our shares in STERIS Corp.

DENTSPLY International, a current holding, is the leading manufacturer of dental products and equipment, with the number one or two market share position in most categories. Growth, in our opinion, will remain strong for many years due to the aging of the population, longer retention of natural teeth and an increasing interest in cosmetic dentistry. Most important, 60% of DENTSPLY's business is outside the United States. The demand for dental products from developing countries continues to grow at a rapid pace, driven by strong economic growth and higher per capita income. The company, we believe, can grow revenue and earnings at double-digit rates and still generate free cash flow for several years. DENTSPLY has an experienced management team and sells at a reasonable valuation, especially considering the company's growth prospects and ability to generate cash.

### **Meridian Value Fund®**

The Wall Street Journal ranked the Meridian Value Fund the twenty-sixth best performing stock fund for the ten-year period ending June 30, 2006. This is out of a universe of approximately 2,000 funds.

The Meridian Value Fund's net asset value per share at June 30, 2006 was \$36.14. This represents an increase of 4.4% for the calendar year to date. The Fund's total return and average compounded annual rate of return since June 30, 1995, were 577.2% and 19.0%, respectively. The comparable period returns for the S&P 500 with dividends were 196.2% and 10.4%, respectively. The Fund's assets at the close of the quarter were invested 5.3% in cash and cash equivalents and 94.7% in stocks. Total net assets were \$1,686,874,055 and there were 80,875 shareholders.

Our investment strategy is unchanged. We continue to seek out-of-favor companies that have defensible positions in their industries, strong or improving balance sheets, reasonable valuations and good prospects for earnings growth. We believe that over the long term this strategy will continue to outperform. In our opinion the portfolio is well positioned, reasonably valued and diversified. We continue to invest in companies of all market capitalizations and our largest areas of concentration are technology, real estate and financials. We currently monitor, but don't yet own, a number of solid companies that sell at reasonable valuations. The outlook for our approach, in our view, is favorable at this time.

During the quarter we purchased shares of AMVESCAP, Anheuser-Busch, Beckman Coulter, Cabot, Diebold, Hot Topic, International Flavors & Fragrances, MedImmune, SYSCO and XL Capital. We sold our shares in ADESA, Aracruz Celulose, Arch Coal, BJ's Wholesale Club, Chiquita Brands International, Electronic Arts, Embraer-Empresa Brasileira de Aeronautica, Mettler-Toledo International, National Oilwell Varco, Northrop Grumman and ServiceMaster.

We recently invested in Entegris, a leading supplier of packaging and handling equipment and related consumables to the microelectronics industry. Earnings suffered in 2005 from poor industry conditions and acquisition integration costs related to the company's merger with Mykrolis. Entegris has a dominant market share in most of the areas in which it competes and the completed merger should make the company an even more formidable competitor. Secular trends

in the semiconductor industry such as smaller sizes and more demanding manufacturing conditions play to the company's strength in micro-contamination control. Entegris has a clean balance sheet with over \$1.50 in net cash per share and is reasonably valued at 14 times this year's earnings estimates and less than 10 times our estimate of normalized earnings potential of \$0.95. The entire semiconductor industry is out of favor, but we believe that conditions will eventually improve and Entegris will prove to be a positive investment for the Fund.

# Meridian Equity Income Fund

## Summary of Portfolio Holdings

June 30, 2006

### Portfolio Holdings by Category (% of total net assets)

Telecommunications Services . . . . .	5.8%	\$ 1,473,116
Business Services . . . . .	5.4	1,378,001
Consumer Products . . . . .	5.4	1,371,335
Industrial Services . . . . .	5.3	1,362,169
Paper/Forest Products . . . . .	5.3	1,353,139
Electrical Equipment . . . . .	5.3	1,350,853
Industrial Products . . . . .	5.3	1,337,557
Insurance . . . . .	5.2	1,336,805
Chemicals . . . . .	5.1	1,309,351
Brokerage & Money Management . . . . .	4.9	1,259,719
Banking . . . . .	4.8	1,223,140
Agriculture . . . . .	3.1	782,040
Pharmaceuticals . . . . .	2.9	730,946
Oil & Gas . . . . .	2.8	709,036
Automobile . . . . .	2.8	708,539
Apparel . . . . .	2.8	702,972
Retail . . . . .	2.7	693,489
Restaurants . . . . .	2.7	692,352
Basic Materials . . . . .	2.7	688,050
Diversified Operations . . . . .	2.7	681,200
Office Supplies . . . . .	2.6	657,530
Healthcare Products . . . . .	2.6	651,112
Furniture & Fixtures . . . . .	2.5	646,982
Business Products . . . . .	2.5	638,750
Insurance Brokers . . . . .	2.5	628,357
Cash & Other Assets, Less Liabilities . . . . .	4.3	1,084,162
Total Net Assets . . . . .	<u>100.0%</u>	<u>\$25,450,702</u>

# Meridian Growth Fund

## Summary of Portfolio Holdings

June 30, 2006

### Portfolio Holdings by Category (% of total net assets)

Retail . . . . .	10.5%	\$ 177,612,494
Industrial Services . . . . .	9.7	163,872,560
Healthcare Products . . . . .	8.3	139,371,001
Healthcare Services . . . . .	6.8	115,265,066
Tech-Software . . . . .	6.7	113,026,753
Brokerage & Money Management . . . . .	4.9	83,528,714
Industrial Products . . . . .	4.5	75,794,366
Tech-Hardware . . . . .	4.0	68,062,080
Banking . . . . .	3.9	65,969,641
Business Services . . . . .	3.8	64,925,802
Consumer Services . . . . .	3.6	61,173,625
Cellular Communications . . . . .	3.1	51,889,488
Restaurants . . . . .	3.0	50,406,421
Hotels & Lodging . . . . .	2.8	47,105,300
Insurance . . . . .	2.7	45,742,902
Construction . . . . .	2.6	43,358,927
Real Estate . . . . .	2.5	42,321,730
Leisure & Amusement . . . . .	2.5	41,958,911
Insurance Brokers . . . . .	2.5	41,406,753
Business Products . . . . .	2.4	39,739,562
Aerospace/Defense . . . . .	2.2	37,911,024
U.S. Government Obligations . . . . .	1.5	24,834,583
Chemicals . . . . .	1.0	16,707,780
Apparel . . . . .	0.9	15,605,594
Cash & Other Assets, Less Liabilities . . . . .	3.6	61,783,241
Total Net Assets . . . . .	<u>100.0%</u>	<u>\$1,689,374,318</u>

# Meridian Value Fund

## Summary of Portfolio Holdings

June 30, 2006

### Portfolio Holdings by Category (% of total net assets)

Technology . . . . .	10.9%	\$ 184,477,573
Real Estate . . . . .	7.6	128,001,643
Banking . . . . .	7.5	126,474,850
Industrial Services . . . . .	6.5	109,135,836
Retail . . . . .	6.1	102,787,265
Industrial Products . . . . .	5.8	98,698,984
Energy . . . . .	5.7	96,163,629
Consumer Products . . . . .	5.0	84,617,595
Telecommunications Equipment . . . . .	5.0	84,453,462
Healthcare Products . . . . .	4.7	78,816,370
Pharmaceuticals . . . . .	4.0	66,977,498
Healthcare Services . . . . .	2.7	45,231,680
Media . . . . .	2.6	43,301,695
Consumer Products/Food & Beverage . . . . .	2.4	40,955,670
Telecommunications Services . . . . .	2.3	38,121,600
Insurance . . . . .	2.2	38,024,990
Aerospace/Defense . . . . .	2.2	37,188,648
Utilities . . . . .	2.1	36,135,611
U.S. Government Obligations . . . . .	2.1	34,764,903
Information Technology Services . . . . .	1.8	29,964,600
Publishing . . . . .	1.6	27,283,620
Basic Materials . . . . .	1.6	27,202,400
Insurance Brokers . . . . .	1.2	19,680,510
Restaurants . . . . .	1.1	19,176,496
Oil & Gas . . . . .	1.1	18,956,333
Business Products . . . . .	1.0	16,260,186
Cash & Other Assets, Less Liabilities . . . . .	3.2	54,020,408
Total Net Assets . . . . .	<u>100.0%</u>	<u>\$1,686,874,055</u>

# Meridian Fund, Inc.

## Disclosure of Fund Expenses (Unaudited)

For the Six Month Period January 1, 2006 to June 30, 2006

We believe it is important for you to understand the impact of fees and expenses on your investment. All mutual funds have operating expenses. As a shareholder of the Fund, you incur ongoing costs, which include costs for portfolio management, administrative services, and shareholder reports (like this one), among others. Operating expenses, which are deducted from a Fund's gross income, directly reduce the investment return of the portfolio. A Fund's expenses are expressed as a percentage of its average net assets. This figure is known as the expense ratio. The following examples are intended to help you understand the ongoing costs (in dollars) of investing in your Fund and to compare these costs with those of other mutual funds. The examples are based on an investment of \$1,000 made at the beginning of the period shown and held for the entire period and assume reinvestment of all dividends and distributions.

	Beginning Account Value 01/01/06	Ending Account Value 06/30/06	Expense Ratio <sup>(1)</sup>	Expenses Paid During Period <sup>(2)</sup>
<b>Actual Fund Return</b>				
(See explanation below)				
Meridian Equity Income Fund . . . . .	\$1,000.00	\$1,055.40	1.25% <sup>(4)</sup>	\$6.36
Meridian Growth Fund . . . . .	\$1,000.00	\$1,053.90	0.85%	\$4.32
Meridian Value Fund . . . . .	\$1,000.00	\$1,043.60	1.09%	\$5.55
<b>Hypothetical 5% Return<sup>(3)</sup></b>				
(See explanation below)				
Meridian Equity Income Fund . . . . .	\$1,000.00	\$1,018.61	1.25% <sup>(4)</sup>	\$6.24
Meridian Growth Fund . . . . .	\$1,000.00	\$1,020.59	0.85%	\$4.25
Meridian Value Fund . . . . .	\$1,000.00	\$1,019.37	1.09%	\$5.48

- (1) Annualized, based on the Fund's most recent fiscal half-year expenses.
- (2) Expenses are equal to the Fund's annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half-year, then divided by 365.
- (3) Before expenses.
- (4) See note 2 to Financial Statements.

The table above illustrates your Fund's costs in two ways:

**Actual Fund Return:** This section helps you to estimate the actual expenses that you paid over the period. The "Ending Account Value" shown is derived from the Fund's **actual** return, the third column shows the period's annualized expense ratio, and the last column shows the dollar amount that would have been paid by an investor who started with \$1,000 in the Fund at the beginning of the period. You may use the information here, together with your account value, to estimate the expenses that you paid over the period.

To do so, simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period."

**Hypothetical 5% Return:** This section is intended to help you compare your Fund's costs with those of other mutual funds. It assumes that the Fund had a return of 5% before expenses during the period shown, but that the expense ratio is unchanged. In this case, because the return used is **not** the Fund's actual return, the results do not apply to your investment. You can assess your Fund's costs by comparing this 5% Return hypothetical example with the 5% Return hypothetical examples that appear in shareholder reports of other funds.

Please note that the expenses shown in the table are meant to highlight your *ongoing* costs only and do not reflect any transactional costs such as short-term redemption and exchange fees or sales and service charges you may pay third party broker/dealers. Had these transactional costs been included, your costs would have been higher. Therefore, the hypothetical section of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds.

# Meridian Equity Income Fund

## Schedule of Investments

June 30, 2006

	Shares	Value		Shares	Value
COMMON STOCK - 95.7%			CONSUMER PRODUCTS - 5.4%		
AGRICULTURE - 3.1%			Newell Rubbermaid,		
Delta & Pine Land			Inc. . . . .	25,750	\$ 665,123
Co. . . . .	26,600	\$ 782,040	Reynolds American,		
			Inc. . . . .	6,125	706,212
					<u>1,371,335</u>
APPAREL - 2.8%			DIVERSIFIED OPERATIONS - 2.7%		
VF Corp. . . . .	10,350	702,972	E.I. du Pont de		
			Nemours & Co. . . . .	16,375	681,200
AUTOMOBILE - 2.8%					
Autoliv, Inc. (Sweden) . . . . .	12,525	708,539	ELECTRICAL EQUIPMENT - 5.3%		
			Emerson Electric Co. . . . .	8,400	704,004
BANKING - 4.8%			Hubbell, Inc. Class B . . . . .	13,575	646,849
Comerica, Inc. . . . .	11,550	600,484			<u>1,350,853</u>
Regions Financial			FURNITURE & FIXTURES - 2.5%		
Corp. . . . .	18,800	<u>622,656</u>	Leggett & Platt, Inc. . . . .	25,900	646,982
		1,223,140			
BASIC MATERIALS - 2.7%			HEALTHCARE PRODUCTS - 2.6%		
PPG Industries, Inc. . . . .	10,425	688,050	Hillenbrand Industries,		
			Inc. . . . .	13,425	651,112
BROKERAGE & MONEY MANAGEMENT - 4.9%					
Mellon Financial			INDUSTRIAL PRODUCTS - 5.3%		
Corp. . . . .	18,300	630,069	Bemis Co. . . . .	22,575	691,247
Waddell & Reed			Briggs & Stratton		
Financial, Inc.			Corp. . . . .	20,775	646,310
Class A . . . . .	30,625	<u>629,650</u>			<u>1,337,557</u>
		1,259,719	INDUSTRIAL SERVICES - 5.3%		
BUSINESS PRODUCTS - 2.5%			Genuine Parts Co. . . . .	16,075	669,685
Diebold, Inc. . . . .	15,725	638,750	Waste Management,		
			Inc. . . . .	19,300	692,484
BUSINESS SERVICES - 5.4%					<u>1,362,169</u>
ABM Industries, Inc. . . . .	39,900	682,290	INSURANCE - 5.2%		
R. R. Donnelley & Sons			Lincoln National		
Co. . . . .	21,775	<u>695,711</u>	Corp. . . . .	11,950	674,458
		1,378,001	Mercury General		
CHEMICALS - 5.1%			Corp. . . . .	11,750	662,347
Lubrizol Corp. . . . .	16,325	650,551			<u>1,336,805</u>
RPM International,					
Inc. . . . .	36,600	<u>658,800</u>			
		1,309,351			

*The accompanying notes are an integral part of the financial statements.*

# Meridian Equity Income Fund

## Schedule of Investments (continued)

June 30, 2006

	<u>Shares</u>	<u>Value</u>
COMMON STOCK (continued)		
INSURANCE BROKERS - 2.5%		
Willis Group Holdings, Ltd. (United Kingdom) . . . . .	19,575	\$ 628,357
OFFICE SUPPLIES - 2.6%		
Avery Dennison Corp. . . . .	11,325	657,530
OIL & GAS - 2.8%		
Chevron Corp. . . . .	11,425	709,036
PAPER/FOREST PRODUCTS - 5.3%		
Kimberly-Clark Corp. . .	10,915	673,455
Sonoco Products Co. . .	21,475	679,684
		<u>1,353,139</u>
PHARMACEUTICALS - 2.9%		
Eli Lilly & Co. . . . .	13,225	730,946
RESTAURANTS - 2.7%		
IHOP Corp. . . . .	14,400	692,352
RETAIL - 2.7%		
Limited Brands, Inc. . . .	27,100	693,489
TELECOMMUNICATIONS SERVICES - 5.8%		
Alltel Corp. . . . .	10,375	662,236
BellSouth Corp. . . . .	22,400	810,880
		<u>1,473,116</u>
TOTAL INVESTMENTS - 95.7%		
(Identified cost \$23,118,017) . . . . .		24,366,540
CASH AND OTHER ASSETS, LESS		
LIABILITIES - 4.3% . . . . .		<u>1,084,162</u>
NET ASSETS - 100.0% . . . . .		<u><u>\$25,450,702</u></u>

*The accompanying notes are an integral part of the financial statements.*

# Meridian Growth Fund Schedule of Investments

June 30, 2006

	Shares	Value		Shares	Value
COMMON STOCK - 94.9%			CONSUMER SERVICES - 3.6%		
AEROSPACE/DEFENSE - 2.2%			Regis Corp. . . . . . 997,200 \$ 35,510,292		
BE Aerospace, Inc.* . . . . .	1,658,400	\$ 37,911,024	Rollins, Inc. . . . . .	1,306,687	25,663,333
					61,173,625
APPAREL - 0.9%			HEALTHCARE PRODUCTS - 8.3%		
Carter's, Inc.* . . . . .	590,450	15,605,594	C. R. Bard, Inc. . . . . .	577,275	42,291,167
			DENTSPLY		
BANKING - 3.9%			International, Inc. . . . . .	763,000	46,237,800
SVB Financial			Edwards Lifesciences		
Group* . . . . .	777,400	35,340,604	Corp.* . . . . .	970,485	44,089,134
UCBH Holdings, Inc. . . . . .	1,851,816	30,629,037	Symmetry Medical,		
		65,969,641	Inc.* . . . . .	438,500	6,752,900
BROKERAGE & MONEY MANAGEMENT - 4.9%					139,371,001
Affiliated Managers			HEALTHCARE SERVICES - 6.8%		
Group, Inc.* . . . . .	483,545	42,015,225	Cerner Corp.* . . . . .	865,230	32,108,685
T. Rowe Price Group,			DaVita, Inc.* . . . . .	848,400	42,165,480
Inc. . . . . .	1,097,950	41,513,489	Laboratory Corp. of		
		83,528,714	America Holdings* . . . . .	658,700	40,990,901
BUSINESS PRODUCTS - 2.4%					115,265,066
Diebold, Inc. . . . . .	978,325	39,739,562	HOTELS & LODGING - 2.8%		
			Las Vegas Sands		
BUSINESS SERVICES - 3.8%			Corp.* . . . . .	605,000	47,105,300
CSG Systems			INDUSTRIAL PRODUCTS - 4.5%		
International, Inc.* . . . . .	1,410,630	34,898,986	Airgas, Inc. . . . . .	1,103,575	41,108,169
Mercury Interactive			Dionex Corp.* . . . . .	634,581	34,686,197
Corp.* . . . . .	858,645	30,026,816			75,794,366
		64,925,802	INDUSTRIAL SERVICES - 9.7%		
CELLULAR COMMUNICATIONS - 3.1%			Allied Waste Industries,		
American Tower Corp.			Inc.* . . . . .	3,514,725	39,927,276
Class A* . . . . .	1,667,400	51,889,488	EGL, Inc. * . . . . .	810,278	40,675,956
			Republic Services,		
CHEMICALS - 1.0%			Inc. . . . . .	996,100	40,182,674
RPM International,			United Rentals, Inc.* . . . . .	1,347,300	43,086,654
Inc. . . . . .	928,210	16,707,780			163,872,560
CONSTRUCTION - 2.6%			INSURANCE - 2.7%		
Granite Construction,			Mercury General		
Inc. . . . . .	957,785	43,358,927	Corp. . . . . .	811,476	45,742,902

The accompanying notes are an integral part of the financial statements.

# Meridian Growth Fund

## Schedule of Investments (continued)

June 30, 2006

	<u>Shares</u>	<u>Value</u>		<u>Shares</u>	<u>Value</u>
COMMON STOCK (continued)			TECH-SOFTWARE - 6.7%		
INSURANCE BROKERS - 2.5%			Advent Software, Inc.* . . . . .	1,066,438	\$ 38,466,419
Willis Group Holdings, Ltd. (United Kingdom) . . . . .	1,289,930	\$ 41,406,753	Cognos, Inc.* (Canada) . . . . .	929,065	26,431,899
			FileNet Corp.* . . . . .	749,500	20,184,035
			Getty Images, Inc.* . . . . .	440,000	27,944,400
					<u>113,026,753</u>
LEISURE & AMUSEMENT - 2.5%			TOTAL COMMON STOCK - 94.9%		
Royal Caribbean Cruises, Ltd. . . . .	1,096,965	41,958,911	(Identified cost \$1,288,946,653) . . . . .		<u>1,602,756,494</u>
REAL ESTATE - 2.5%			U.S. GOVERNMENT OBLIGATIONS - 1.5%		
Host Hotels & Resorts, Inc.(a) . . . . .	1,935,150	42,321,730	U.S. Treasury Bill @ 4.812% due 08/10/06 (Face Value \$15,000,000) . . . . .		14,921,833
RESTAURANTS - 3.0%			U.S. Treasury Bill @ 4.864% due 09/07/06 (Face Value \$10,000,000) . . . . .		<u>9,912,750</u>
CBRL Group, Inc. . . . .	600,888	20,382,121			
Ruby Tuesday, Inc. . . . .	1,230,000	<u>30,024,300</u>	TOTAL U.S. GOVERNMENT OBLIGATIONS (Identified cost \$24,832,300) . . . . .		<u>24,834,583</u>
		50,406,421			
RETAIL - 10.5%			TOTAL INVESTMENTS - 96.4%		
Bed Bath & Beyond, Inc.* . . . . .	948,300	31,455,111	(Identified cost \$1,313,778,953) . . . . .		1,627,591,077
Claire's Stores, Inc. . . . .	1,062,740	27,110,497	CASH AND OTHER ASSETS, LESS		
Foot Locker, Inc. . . . .	1,462,825	35,824,584	LIABILITIES - 3.6% . . . . .		<u>61,783,241</u>
PetSmart, Inc. . . . .	1,281,000	32,793,600			
Ross Stores, Inc. . . . .	1,206,300	33,836,715	NET ASSETS - 100.0% . . . . .		<u><u>\$1,689,374,318</u></u>
Zale Corp.* . . . . .	688,750	<u>16,591,987</u>			
		177,612,494			
TECH-HARDWARE - 4.0%					
American Power Conversion Corp. . . . .	1,556,573	30,337,608			
Vishay Intertechnology, Inc.* . . . . .	2,398,250	<u>37,724,472</u>			
		68,062,080			

\* Non-income producing securities.  
(a) Real Estate Investment Trust (REIT)

*The accompanying notes are an integral part of the financial statements.*

# Meridian Value Fund Schedule of Investments

June 30, 2006

	Shares	Value		Shares	Value
COMMON STOCK - 94.7%			HEALTHCARE PRODUCTS - 4.7%		
AEROSPACE/DEFENSE - 2.2%			Baxter International, Inc. . . . .		
BE Aerospace, Inc.* . . .	1,626,800	\$ 37,188,648	1,431,600	\$ 52,625,616	
BANKING - 7.5%			Beckman Coulter, Inc. . . . .		
AMVESCAP PLC ADR (United Kingdom) . . .	674,000	12,462,260	317,500	17,637,125	
Federated Investors, Inc. Class B . . . . .	785,700	24,749,550	616,700	8,553,629	
Greater Bay Bancorp . .	579,200	16,652,000			
JPMorgan Chase & Co. . . . .	1,124,000	47,208,000			
Regions Financial Corp. . . . .	767,000	<u>25,403,040</u>			
		126,474,850	HEALTHCARE SERVICES - 2.7%		
BASIC MATERIALS - 1.6%			AmerisourceBergen Corp. . . . .		
Barrick Gold Corp. (Canada) . . . . .	919,000	27,202,400	1,079,000	45,231,680	
BUSINESS PRODUCTS - 1.0%			INDUSTRIAL PRODUCTS - 5.8%		
Diebold, Inc. . . . .	400,300	16,260,186	Cabot Corp. . . . .		
CONSUMER PRODUCTS - 5.0%			General Electric Co. . . .		
Newell Rubbermaid, Inc. . . . .	2,012,100	51,972,543	284,500	9,820,940	
Pactiv Corp.* . . . . .	1,318,992	<u>32,645,052</u>	491,400	16,196,544	
		84,617,595	Manitowoc Co., Inc. (The) . . . . .		
CONSUMER PRODUCTS/FOOD & BEVERAGE - 2.4%			Sealed Air Corp. . . . .		
Anheuser-Busch Cos., Inc. . . . .	525,000	23,934,750	417,000	9,424,200	
International Flavors & Fragrances, Inc. . . . .	483,000	<u>17,020,920</u>			
		40,955,670	<u>98,698,984</u>		
ENERGY - 5.7%			INDUSTRIAL SERVICES - 6.5%		
El Paso Corp. . . . .	1,274,300	19,114,500	Allied Waste Industries, Inc.* . . . . .		
GlobalSanteFe Corp. . .	508,900	29,388,975	3,788,500	43,037,360	
Hanover Compressor Co.* . . . . .	1,504,300	28,250,754	Sysco Corp. . . . .		
Tidewater, Inc. . . . .	394,500	<u>19,409,400</u>	581,300	17,764,528	
		96,163,629	Waste Management, Inc. . . . .		
			1,347,100	<u>48,333,948</u>	
				109,135,836	
			INFORMATION TECHNOLOGY SERVICES - 1.8%		
			BearingPoint, Inc.* . . . .		
			3,580,000	29,964,600	
			INSURANCE - 2.2%		
			Conseco, Inc.* . . . . .		
			597,900	13,811,490	
			XL Capital, Ltd. (Bermuda) . . . . .		
			395,000	<u>24,213,500</u>	
				38,024,990	
			INSURANCE BROKERS - 1.2%		
			Willis Group Holdings, Ltd. (United Kingdom) . . . . .		
			613,100	19,680,510	

The accompanying notes are an integral part of the financial statements.

# Meridian Value Fund

## Schedule of Investments (continued)

June 30, 2006

	Shares	Value		Shares	Value
COMMON STOCK (continued)			TECHNOLOGY - 10.9%		
MEDIA - 2.6%			Analog Devices, Inc. . .	1,055,000	\$ 33,907,700
Time Warner, Inc. . . . .	2,195,500	\$ 37,982,150	Entegris, Inc.* . . . . .	2,435,400	23,209,362
Valassis			Intersil Corp. Class A . .	769,300	17,886,225
Communications,			Symbol Technologies,		
Inc.* . . . . .	225,500	5,319,545	Inc. . . . .	2,854,800	30,803,292
		43,301,695	Tektronix, Inc. . . . .	730,000	21,476,600
OIL & GAS - 1.1%			Western Digital		
Kinder Morgan			Corp.* . . . . .	1,517,400	30,059,694
Management, LLC.* . .	440,640	18,956,333	Xilinx, Inc. . . . .	1,198,000	27,134,700
					184,477,573
PHARMACEUTICALS - 4.0%			TELECOMMUNICATIONS EQUIPMENT - 5.0%		
Medimmune, Inc.* . . . .	735,200	19,923,920	Nokia Oyj ADR		
Schering-Plough			(Finland) . . . . .	2,155,200	43,664,352
Corp. . . . .	2,472,600	47,053,578	Powerwave		
		66,977,498	Technologies, Inc.* . .	2,256,200	20,576,544
PUBLISHING - 1.6%			Tellabs, Inc.* . . . . .	1,518,600	20,212,566
Pearson PLC ADR					84,453,462
(United Kingdom) . . .	1,998,800	27,283,620	TELECOMMUNICATIONS SERVICES - 2.3%		
			DIRECTV Group, Inc.		
REAL ESTATE - 7.6%			(The)* . . . . .	2,310,400	38,121,600
Apartment Investment &			UTILITIES - 2.1%		
Management Co.			Hawaiian Electric		
Class A(a) . . . . .	800,900	34,799,105	Industries, Inc. . . . .	703,275	19,628,405
Equity Residential(a) . .	862,300	38,570,679	TECO Energy, Inc. . . .	1,104,900	16,507,206
Healthcare Realty Trust,					36,135,611
Inc.(a) . . . . .	534,100	17,011,085	TOTAL COMMON STOCK - 94.7%		
Host Hotels & Resorts,			(Identified cost \$1,428,802,460) . . .		1,598,088,744
Inc.(a) . . . . .	1,720,200	37,620,774			
		128,001,643			
RESTAURANTS - 1.1%					
Ruby Tuesday, Inc. . . .	785,600	19,176,496			
RETAIL - 6.1%					
HOT Topic, Inc.* . . . .	1,217,300	14,011,123			
Jean Coutu Group, Inc.					
Class A (Canada) . . . .	1,512,300	15,850,497			
Ross Stores, Inc. . . . .	1,212,900	34,021,845			
Safeway, Inc. . . . .	1,496,300	38,903,800			
		102,787,265			

The accompanying notes are an integral part of the financial statements.

# Meridian Value Fund

## Schedule of Investments (continued)

June 30, 2006

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	<u>Value</u>
U.S. GOVERNMENT OBLIGATIONS - 2.1%	
U.S. Treasury Bill @ 4.812%	
due 08/10/06	
(Face Value \$20,000,000) . . . . .	\$ 19,895,778
U.S. Treasury Bill @ 4.864%	
due 09/07/06	
(Face Value \$15,000,000) . . . . .	<u>14,869,125</u>
 TOTAL U.S. GOVERNMENT OBLIGATIONS (Identified cost \$34,761,478) . . . . .	          <u>34,764,903</u>
 TOTAL INVESTMENTS - 96.8% (Identified cost \$1,463,563,938) . . . . .	          1,632,853,647
 CASH AND OTHER ASSETS, LESS LIABILITIES - 3.2% . . . . .	          <u>54,020,408</u>
 NET ASSETS - 100.0% . . . . .	          <u><u>\$1,686,874,055</u></u>

\* Non-income producing securities.  
(a) Real Estate Investment Trust (REIT)  
ADR - American Depository Receipt

*The accompanying notes are an integral part of the financial statements.*

# Meridian Fund, Inc.

## Statements of Assets and Liabilities

June 30, 2006

	Equity Income Fund	Growth Fund	Value Fund
<b>ASSETS</b>			
Investments (Cost \$23,118,017, \$1,313,778,953 and \$1,463,563,938, respectively) . . . . .	\$24,366,540	\$1,627,591,077	\$1,632,853,647
Cash . . . . .	1,078,196	60,298,210	53,018,665
Receivable for:			
Capital shares purchased . . . . .	2,310	664,352	483,647
Dividends . . . . .	42,190	1,134,719	1,251,963
Interest . . . . .	4,114	191,548	154,520
Securities sold . . . . .	—	5,074,679	10,816,529
Prepaid expenses . . . . .	43	6,276	8,204
<b>TOTAL ASSETS</b> . . . . .	<b>\$25,493,393</b>	<b>\$1,694,960,861</b>	<b>\$1,698,587,175</b>
<b>LIABILITIES</b>			
Payable for:			
Capital shares sold . . . . .	—	667,300	1,072,044
Securities purchased . . . . .	—	3,652,042	8,913,191
Accrued expenses:			
Investment advisory fees . . . . .	9,978	1,036,341	1,393,870
Other payables and accrued expenses . . . . .	32,713	230,860	334,015
<b>TOTAL LIABILITIES</b> . . . . .	<b>42,691</b>	<b>5,586,543</b>	<b>11,713,120</b>
<b>NET ASSETS</b> . . . . .	<b>\$25,450,702</b>	<b>\$1,689,374,318</b>	<b>\$1,686,874,055</b>
Capital shares issued and outstanding, par value \$0.01 (500,000,000, 500,000,000 and 500,000,000 shares authorized, respectively) . . . . .	2,303,908	43,832,006	46,673,089
Net asset value per share (offering and redemption price) . .	\$ 11.05	\$ 38.54	\$ 36.14
Net Assets consist of:			
Paid in capital . . . . .	\$24,056,576	\$1,312,857,781	\$1,367,174,248
Accumulated net realized gain (loss) . . . . .	(67,437)	62,704,413	150,410,098
Net unrealized appreciation on investments . . . . .	1,248,523	313,812,124	169,289,709
Accumulated undistributed net investment income . . . . .	213,040	—	—
	<b>\$25,450,702</b>	<b>\$1,689,374,318</b>	<b>\$1,686,874,055</b>

*The accompanying notes are an integral part of the financial statements.*

# Meridian Fund, Inc.

## Statements of Operations

For the Year Ended June 30, 2006

	Equity Income Fund	Growth Fund	Value Fund
<b>INVESTMENT INCOME</b>			
Dividends (net of foreign taxes withheld of \$0, \$0 and \$316,459, respectively) . . . . .	\$ 496,817	\$ 10,589,657	\$ 27,103,400
Interest . . . . .	36,247	3,121,948	3,903,706
Other income . . . . .	—	8,094	448,728
	<u>533,064</u>	<u>13,719,699</u>	<u>31,455,834</u>
<b>EXPENSES</b>			
Investment advisory fees . . . . .	167,080	12,712,196	19,930,825
Transfer agent fees . . . . .	30,725	561,888	635,257
Reports to shareholders . . . . .	—	251,369	337,267
Custodian fees . . . . .	10,421	371,368	428,133
Pricing fees . . . . .	27,934	203,051	246,069
Professional fees . . . . .	33,681	44,642	57,417
Registration and filing fees . . . . .	20,732	34,103	26,983
Miscellaneous expenses . . . . .	904	23,883	33,430
Directors' fees and expenses . . . . .	853	19,710	30,295
	<u>292,330</u>	<u>14,222,210</u>	<u>21,725,676</u>
Total expenses . . . . .	292,330	14,222,210	21,725,676
Expenses waived and reimbursed by Advisor (Note 2) . . . . .	(74,072)	—	—
	<u>218,258</u>	<u>14,222,210</u>	<u>21,725,676</u>
Net expenses . . . . .	218,258	14,222,210	21,725,676
Net investment income (loss) . . . . .	<u>314,806</u>	<u>(502,511)</u>	<u>9,730,158</u>
<b>NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS</b>			
Net realized gain on investments . . . . .	1,824	69,915,840	173,580,142
Net change in unrealized appreciation (depreciation) on investments . . . . .	<u>1,235,646</u>	<u>86,155,525</u>	<u>(37,832,024)</u>
Net gain on investments . . . . .	<u>1,237,470</u>	<u>156,071,365</u>	<u>135,748,118</u>
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>			
	<u>\$1,552,276</u>	<u>\$155,568,854</u>	<u>\$145,478,276</u>

*The accompanying notes are an integral part of the financial statements.*

# Meridian Fund, Inc.

## Statements of Changes in Net Assets

	Equity Income Fund		Growth Fund	
	Year Ended June 30, 2006	Period from January 31, 2005 through June 30, 2005	Year Ended June 30, 2006	Year Ended June 30, 2005
<b>OPERATIONS</b>				
Net investment income (loss) . . . . .	\$ 314,806	\$ 50,803	\$ (502,511)	\$ (3,142,905)
Net realized gain (loss) on investments . .	1,824	(56,815)	69,915,840	28,329,375
Net increase in unrealized appreciation of investments . . . . .	<u>1,235,646</u>	<u>12,877</u>	<u>86,155,525</u>	<u>18,946,511</u>
Net increase in net assets from operations . . . . .	<u>1,552,276</u>	<u>6,865</u>	<u>155,568,854</u>	<u>44,132,981</u>
<b>DISTRIBUTIONS TO SHAREHOLDERS</b>				
Distributions from ordinary income . . .	(152,533)	—	—	—
Distributions from net realized capital gains . . . . .	<u>(12,482)</u>	<u>—</u>	<u>(35,405,369)</u>	<u>(23,729,781)</u>
Net distributions . . . . .	<u>(165,015)</u>	<u>—</u>	<u>(35,405,369)</u>	<u>(23,729,781)</u>
<b>CAPITAL SHARE TRANSACTIONS</b>				
Proceeds from sales of shares . . . . .	16,180,179	8,419,848	353,645,898	687,734,375
Reinvestment of distributions . . . . .	137,665	—	29,835,577	20,093,262
Less: redemptions of shares . . . . .	<u>(666,247)</u>	<u>(14,869)</u>	<u>(507,834,420)</u>	<u>(307,969,106)</u>
Increase (decrease) resulting from capital share transactions . . . . .	<u>15,651,597</u>	<u>8,404,979</u>	<u>(124,352,945)</u>	<u>399,858,531</u>
Total increase (decrease) in net assets . .	<u>17,038,858</u>	<u>8,411,844</u>	<u>(4,189,460)</u>	<u>420,261,731</u>
<b>NET ASSETS</b>				
Beginning of year . . . . .	<u>8,411,844</u>	<u>—</u>	<u>1,693,563,778</u>	<u>1,273,302,047</u>
End of year . . . . .	<u>\$25,450,702</u>	<u>\$8,411,844</u>	<u>\$1,689,374,318</u>	<u>\$1,693,563,778</u>
Undistributed Net Investment Income included in net assets at end of year . .	<u>\$ 213,040</u>	<u>\$ 50,803</u>	<u>\$ —</u>	<u>\$ —</u>

*The accompanying notes are an integral part of the financial statements.*

# Meridian Fund, Inc.

## Statements of Changes in Net Assets

	Value Fund	
	Year Ended June 30, 2006	Year Ended June 30, 2005
OPERATIONS		
Net investment income . . . . .	\$ 9,730,158	\$ 10,705,840
Net realized gain on investments . . . . .	173,580,142	246,645,725
Net decrease in unrealized appreciation of investments . . . . .	<u>(37,832,024)</u>	<u>(78,508,153)</u>
Net increase in net assets from operations . . . . .	<u>145,478,276</u>	<u>178,843,412</u>
DISTRIBUTIONS TO SHAREHOLDERS		
Distributions from ordinary income . . . . .	(16,078,058)	(15,996,704)
Distributions from net realized capital gains . . . . .	<u>(216,870,523)</u>	<u>(288,644,525)</u>
Net distributions . . . . .	<u>(232,948,581)</u>	<u>(304,641,229)</u>
CAPITAL SHARE TRANSACTIONS		
Proceeds from sales of shares . . . . .	200,186,023	510,656,976
Reinvestment of distributions . . . . .	195,949,460	255,316,413
Less: redemptions of shares . . . . .	<u>(893,269,040)</u>	<u>(595,287,416)</u>
Increase (decrease) resulting from capital share transactions . . . . .	<u>(497,133,557)</u>	<u>170,685,973</u>
Total increase (decrease) in net assets . . . . .	<u>(584,603,862)</u>	<u>44,888,156</u>
NET ASSETS		
Beginning of year . . . . .	<u>2,271,477,917</u>	<u>2,226,589,761</u>
End of year . . . . .	<u>\$1,686,874,055</u>	<u>\$2,271,477,917</u>
Undistributed Net Investment Income included in net assets at end of year . . . . .	<u>\$ —</u>	<u>\$ —</u>

*The accompanying notes are an integral part of the financial statements.*

# Meridian Equity Income Fund

## Financial Highlights

Selected data for each share of capital stock outstanding throughout each period

	For the year ended June 30, 2006	For the fiscal period from January 31, 2005 through June 30, 2005+
Net Asset Value - Beginning of Period . . . . .	\$10.10	\$10.00
<u>Income from Investment Operations</u>		
Net Investment Income* . . . . .	0.15	0.06
Net Gains on Investments (both realized and unrealized) . . . . .	0.93	0.04
Total From Investment Operations . . . . .	1.08	0.10
<u>Less Distributions</u>		
Distributions from Net Investment Income . . . . .	(0.12)	0.00
Distributions from Net Realized Capital Gains . . . . .	(0.01)	0.00
Total Distributions . . . . .	(0.13)	0.00
Net Asset Value - End of Period . . . . .	\$11.05	\$10.10
Total Return . . . . .	10.75%	1.00% <sup>1</sup>
<u>Ratios/Supplemental Data</u>		
Net Assets, End of Period (000's) . . . . .	\$25,451	\$8,412
Ratio of Expenses to Average Net Assets		
Before expense reimbursement . . . . .	1.67%	3.96%**
After expense reimbursement <sup>2</sup> . . . . .	1.25%	1.25%**
Ratio of Net Investment Income (Loss) to Average Net Assets		
Before expense reimbursement . . . . .	1.38%	(0.60%)**
After expense reimbursement . . . . .	1.80%	2.11%**
Portfolio Turnover Rate . . . . .	60%	25%

\* Net Investment Income per share has been computed before adjustments for book/tax differences.

\*\* Annualized for periods of less than one year.

+ The Fund commenced investment operations on January 31, 2005.

<sup>1</sup> Not Annualized.

<sup>2</sup> See note 2 to Financial Statements.

*The accompanying notes are an integral part of the financial statements.*

# Meridian Growth Fund

## Financial Highlights

Selected data for each share of capital stock outstanding throughout each period

	For the fiscal year ended June 30,									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Net Asset Value - Beginning of Year . . . . .	\$35.77	\$35.38	\$27.24	\$28.10	\$31.30	\$29.45	\$26.28	\$33.26	\$33.20	\$32.21
<u>Income from Investment Operations</u>										
Net Investment Income (Loss)* . . . .	(0.01)	(0.07)	(0.04)	(0.08)	(0.12)	2.26	0.11	0.16	0.27	0.40
Net Gains (Losses) on Investments (both realized and unrealized) . . .	3.58	1.02	9.10	(0.11)	(0.24)	3.89	4.99	(0.50)	4.92	3.71
Total From Investment Operations . . .	3.57	0.95	9.06	(0.19)	(0.36)	6.15	5.10	(0.34)	5.19	4.11
<u>Less Distributions</u>										
Distributions from Net Investment Income . . . . .	0.00	0.00	0.00	(0.06)	0.00	(2.44)	(0.15)	(0.14)	(0.32)	(0.36)
Distributions from Net Realized Capital Gains . . . . .	(0.80)	(0.56)	(0.92)	(0.61)	(2.84)	(1.86)	(1.78)	(6.50)	(4.81)	(2.76)
Total Distributions . . . . .	(0.80)	(0.56)	(0.92)	(0.67)	(2.84)	(4.30)	(1.93)	(6.64)	(5.13)	(3.12)
Net Asset Value - End of Year . . . . .	\$38.54	\$35.77	\$35.38	\$27.24	\$28.10	\$31.30	\$29.45	\$26.28	\$33.26	\$33.20
Total Return . . . . .	10.08%	2.65%	33.65%	(0.20%)	0.42%	23.34%	21.45%	3.05%	16.92%	13.92%
<u>Ratios/Supplemental Data</u>										
Net Assets, End of Year (000's) . . . .	\$1,689,374	\$1,693,564	\$1,273,302	\$448,393	\$310,659	\$182,117	\$140,990	\$185,683	\$296,803	\$353,029
Ratio of Expenses to Average Net Assets . . . . .	0.85%	0.86%	0.88%	0.95%	1.02%	1.04%	1.09%	1.01%	0.95%	0.96%
Ratio of Net Investment Income (Loss) to Average Net Assets . . . .	(0.03%)	(0.21%)	(0.21%)	(0.47%)	(0.62%)	(0.26%)	0.31%	0.49%	0.76%	1.23%
Portfolio Turnover Rate . . . . .	29%	32%	19%	27%	26%	43%	28%	51%	38%	37%

\* Net Investment Income (Loss) per share has been computed before adjustments for book/tax differences.

*The accompanying notes are an integral part of the financial statements.*

# Meridian Value Fund

## Financial Highlights

Selected data for each share of capital stock outstanding throughout each period

	For the fiscal year ended June 30,									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Net Asset Value - Beginning of Year . . . . .	\$38.11	\$40.35	\$31.65	\$30.34	\$30.98	\$25.88	\$22.29	\$19.30	\$17.40	\$15.32
<u>Income from Investment Operations</u>										
Net Investment Income (Loss)** . . . . .	0.18	0.19	0.00	(0.03)	(0.05)	1.12	0.05	(0.10)	(0.19)	(0.26)
Net Gains (Losses) on Investments (both realized and unrealized) . . . . .	2.45	2.96	8.70	1.34	(0.51)	5.75	5.91	3.56	4.32	3.20
Total From Investment Operations . . . . .	2.63	3.15	8.70	1.31	(0.56)	6.87	5.96	3.46	4.13	2.94
<u>Less Distributions</u>										
Distributions from Net Investment Income . . . . .	(0.32)	(0.28)	0.00	0.00	(0.04)	(1.09)	0.00	0.00	0.00	0.00
Distributions from Net Realized Capital Gains . . . . .	(4.28)	(5.11)	0.00	0.00	(0.04)	(0.68)	(2.37)	(0.47)	(2.23)	(0.86)
Total Distributions . . . . .	(4.60)	(5.39)	0.00	0.00	(0.08)	(1.77)	(2.37)	(0.47)	(2.23)	(0.86)
Net Asset Value - End of Year . . . . .	\$36.14	\$38.11	\$40.35	\$31.65	\$30.34	\$30.98	\$25.88	\$22.29	\$19.30	\$17.40
Total Return . . . . .	7.35%	8.00%	27.49%	4.32%	(1.78%)	27.95%	29.63%	18.92%	26.05%	20.55%+
<u>Ratios/Supplemental Data</u>										
Net Assets, End of Year (000's) . . . . .	\$1,686,874	\$2,271,478	\$2,226,590	\$1,456,552	\$1,297,207	\$768,559	\$87,930	\$24,912	\$12,196	\$7,340
Ratio of Expenses to Average Net Assets . . . . .	1.09%	1.08%	1.09%	1.11%	1.12%	1.10%	1.41%	1.63%	2.16%	2.51%*
Ratio of Net Investment Income (Loss) to Average Net Assets . . . . .	0.49%	0.48%	0.01%	(0.12%)	(0.22%)	0.60%	0.39%	(0.65%)	(1.35%)	(1.96%)*
Portfolio Turnover Rate . . . . .	58%	59%	81%	60%	54%	76%	86%	124%	133%	144%

+ The total returns would have been lower had certain expenses not been reduced during the periods shown.

\* Not representative of expenses incurred by the Fund as the Adviser waived its fee and/or paid certain expenses of the Fund. As indicated in Note 2, the Adviser may reduce a portion of its fee and absorb certain expenses of the Fund. Had these fees and expenses not been reduced and absorbed, the ratio of expenses to average net assets would have been 2.80% and the ratio of net investment income to average net assets would have been a loss of 2.25% for the period ended June 30, 1997.

\*\* Net Investment Income (Loss) per share has been computed before adjustments for book/tax differences.

*The accompanying notes are an integral part of the financial statements.*

# Meridian Fund, Inc.

## Notes to Financial Statements

For the Year Ended June 30, 2006

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1. **Organization and Significant Accounting Policies:** Meridian Fund, Inc., (the “Meridian Funds”), is comprised of the Meridian Equity Income Fund (the “Equity Income Fund”), the Meridian Growth Fund (the “Growth Fund”) and the Meridian Value Fund (the “Value Fund”). The Equity Income Fund, the Growth Fund and the Value Fund (each a “Fund” and collectively, the “Funds”) are registered under the Investment Company Act of 1940, as no-load, diversified, open-end management investment companies. The Equity Income Fund began operations and was registered on January 31, 2005. The Growth Fund began operations and was registered on August 1, 1984. The Value Fund began operations on February 10, 1994 and was registered on February 7, 1994.

The primary investment objective of the Equity Income Fund is to seek long-term growth of capital along with income as a component of total return.

The primary investment objective of the Growth Fund is to seek long-term growth of capital. Originally named Meridian Fund, the name was changed effective April 20, 2001 to Meridian Growth Fund, to more closely reflect the investment style. There was no change in how the Fund is managed.

The primary investment objective of the Value Fund is to seek long-term growth of capital.

The following is a summary of significant accounting policies for all of the Funds:

- a. **Investment Valuations:** Marketable securities are valued at the closing price or last sales price on the principal exchange or market on which they are traded; or, if there were no sales that day, at the last reported bid price. Securities and other assets for which reliable market quotations are not readily available or for which a significant event has occurred since the time of the most recent market quotation, will be valued at their fair value as determined by the Adviser under the guidelines established by, and under the general supervision and responsibility of, the Funds’ Board of Directors. Short-term debt securities with original or remaining maturities in excess of 60 days are valued at the mean of their quoted bid and asked prices. Short-term debt securities with 60 days or less to maturity are amortized to maturity based on their cost.
- b. **Federal Income Taxes:** It is the Funds’ policy to comply with the requirements of Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”), applicable to regulated investment companies and to distribute all of their taxable income to their shareholders; therefore, no federal income tax provision is required.
- c. **Security Transactions:** Security transactions are accounted for on the date the securities are purchased or sold (trade date). Realized gains and losses on security transactions are determined on the basis of specific identification for both financial statement and federal income tax purposes. Dividend income is recorded on the ex-dividend date. Interest income is accrued daily.
- d. **Cash and Cash Equivalents:** All highly liquid investments with an original maturity of three months or less are considered to be cash equivalents. Available funds are automatically swept into a Cash Reserve account, which preserves capital with a consistently competitive rate of return. Interest accrues daily and is credited by the third business day of the following month.

# Meridian Fund, Inc.

## Notes to Financial Statements (continued)

For the Year Ended June 30, 2006

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- e. **Expenses:** Expenses arising in connection with a Fund are charged directly to that Fund. Expenses common to the Funds are generally allocated to each Fund in proportion to their relative net assets.
- f. **Use of Estimates:** The preparation of financial statements in accordance with accounting principals generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and revenue and expenses at the date of the financial statements. Actual amounts could differ from those estimates.
- g. **Distributions to Shareholders:** The Funds record distributions to shareholders on the ex-dividend date. The amount of distributions from net investment income and net realized capital gains are determined in accordance with federal income tax regulations which may differ from generally accepted accounting principles. These “book/tax” differences are either considered temporary or permanent in nature. To the extent these differences are permanent in nature, such amounts are reclassified within the capital accounts based on their federal tax-basis treatment; temporary differences do not require reclassification.

Distributions which exceed net investment income and net realized capital gains are reported as distributions in excess of net investment income or distributions in excess of net realized capital gains for financial reporting purposes but not for tax purposes. To the extent they exceed net investment income and net realized capital gains for tax purposes, they are reported as distributions of paid-in-capital.

Permanent book-tax differences, if any, are not included in ending undistributed net investment income (loss) for the purposes of calculating net investment income (loss) per share in the Financial Highlights.

- h. **Guarantees and Indemnification:** Under the Funds’ organizational documents, its Officers and Directors are indemnified against certain liability arising out of the performance of their duties to the Funds. Additionally, in the normal course of business, the Funds enter into contracts with service providers that contain general indemnification clauses. The Funds’ maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Funds that have not yet occurred. However, based on experience, the Funds expect the risk of loss to be remote.
2. **Related Parties:** The Funds have entered into a management agreement with Aster Investment Management Company, Inc. (the “Investment Adviser”). Certain Officers and/or Directors of the Funds are also Officers and/or Directors of the Investment Adviser. Beneficial ownership in the Funds by Richard F. Aster, Jr., President, as of June 30, 2006 were as follows:

Equity Income Fund . . . . .	40.41%
Growth Fund . . . . .	1.00%
Value Fund. . . . .	0.88%

The Investment Adviser receives from the Equity Income Fund, as compensation for its services, an annual fee of 1% of the first \$10,000,000 of the Equity Income Fund’s net assets, 0.90% of the next \$20,000,000 of the Equity Income Fund’s net assets, 0.80% of the next \$20,000,000 of the Equity Income Fund’s net

# Meridian Fund, Inc.

## Notes to Financial Statements (continued)

For the Year Ended June 30, 2006

assets and 0.70% of the Equity Income Fund's net assets in excess of \$50,000,000. The fee is paid monthly and calculated based on that month's daily average net assets.

The Investment Adviser receives from the Growth Fund, as compensation for its services, an annual fee of 1% of the first \$50,000,000 of the Growth Fund's net assets and 0.75% of the Growth Fund's net assets in excess of \$50,000,000. The fee is paid monthly and calculated based on that month's daily average net assets.

The Investment Adviser receives from the Value Fund, as compensation for its services, an annual fee of 1% of the Value Fund's net assets. The fee is paid monthly and calculated based on that month's daily average net assets.

The Investment Adviser has contractually agreed to waive its fee and reimburse expenses, at least until November 1, 2006, to the extent that total annual operating expenses for the Equity Income Fund exceeds 1.25%. The Investment Adviser has voluntarily agreed to limit the operating expenses of the Growth and Value Funds to 2.50%. With respect to these limits, the Investment Adviser reimbursed the Equity Income Fund \$74,072, but did not reimburse the Growth and Value Funds, during the year ended June 30, 2006. Subject to the approval of the Board of Directors of the Fund, the Fund will repay the Investment Adviser the amount of its reimbursement for the Equity Income Fund for up to three years following the reimbursement to the extent the Equity Income Fund's expenses drop below 1.25%, after giving effect to repayment by the Fund. Either the Fund or the Investment Adviser can modify or terminate this arrangement at any time.

3. **Capital Shares Transactions:** Transactions in capital shares for the year ended June 30, 2006 and the year ended June 30, 2005 were as follows:

	Equity Income Fund	
	June 30, 2006	June 30, 2005
Shares sold . . . . .	1,518,742	834,727
Shares reinvested on reinvestment of distributions . . . . .	12,963	—
	1,531,705	834,727
Shares redeemed . . . . .	(61,043)	(1,481)
Net increase . . . . .	1,470,662	833,246

# Meridian Fund, Inc.

## Notes to Financial Statements (continued)

For the Year Ended June 30, 2006

	Growth Fund	
	June 30, 2006	June 30, 2005
Shares sold . . . . .	9,349,992	19,610,076
Shares reinvested on reinvestment of distributions . . . . .	805,510	548,115
	10,155,502	20,158,191
Shares redeemed . . . . .	(13,664,615)	(8,805,258)
Net increase (decrease) . . . . .	(3,509,113)	11,352,933

	Value Fund	
	June 30, 2006	June 30, 2005
Shares sold . . . . .	5,344,976	13,372,342
Shares reinvested on reinvestment of distributions . . . . .	5,630,731	6,795,760
	10,975,707	20,168,102
Shares redeemed . . . . .	(23,900,160)	(15,746,779)
Net increase (decrease) . . . . .	(12,924,453)	4,421,323

4. **Compensation of Directors and Officers:** Directors and Officers of the Funds who are Directors and/or Officers of the Investment Adviser receive no compensation from the Funds. Directors of the Funds who are not interested persons, as defined in the Investment Company Act of 1940, receive compensation in the amount of \$3,000 per annum and a \$2,000 purchase of Equity Income Fund, Growth Fund or Value Fund shares, plus expenses and a \$1,000 purchase in one of the Funds for each additional Board of Directors meeting attended other than the annual meeting.
5. **Cost of Investments:** The cost of investments purchased and the proceeds from sales of investments, excluding short-term obligations, for the year ended June 30, 2006, were as follows:

	Purchases	Proceeds from Sales
Equity Income Fund . . . . .	\$ 25,121,008	\$ 9,962,422
Growth Fund . . . . .	461,953,203	618,338,154
Value Fund . . . . .	1,096,986,935	1,779,634,589

# Meridian Fund, Inc.

## Notes to Financial Statements (continued)

For the Year Ended June 30, 2006

6. **Distribution Information:** Income and long-term capital gains distributions are determined in accordance with federal income tax regulations, which may differ from generally accepted accounting principles accepted in the United States. The tax character of distributions made during the fiscal years ended June 30, 2006 and June 30, 2005 were as follows:

### 2006 Taxable Distributions

<u>Fund</u>	<u>Ordinary Income</u>	<u>Net Long-Term Capital Gains</u>	<u>Total Distributions</u>
Equity Income Fund . . . . .	\$ 165,015	\$ —	\$ 165,015
Growth Fund . . . . .	—	35,405,369	35,405,369
Value Fund . . . . .	26,262,428	206,686,153	232,948,581

### 2005 Taxable Distributions

<u>Fund</u>	<u>Ordinary Income</u>	<u>Net Long-Term Capital Gains</u>	<u>Total Distributions</u>
Equity Income Fund . . . . .	\$ —	\$ —	\$ —
Growth Fund . . . . .	10,056,382	13,674,732	23,731,114
Value Fund . . . . .	15,996,704	288,644,525	304,641,229

7. **Federal Income Taxes:** Permanent differences, incurred during the year ended June 30, 2006, resulting from differences in book and tax accounting have been reclassified at year end to undistributed net investment income, accumulated realized gain/(loss) and paid-in capital as follows:

	<u>Increase/(Decrease) Paid-In Capital</u>	<u>Increase/(Decrease) Undistributed Net Investment Income</u>	<u>Increase/(Decrease) Accumulated Realized Gain/(Loss)</u>
Equity Income Fund . . . . .	\$ —	\$ (36)	\$ 36
Growth Fund . . . . .	(502,511)	502,511	—
Value Fund . . . . .	—	6,347,900	(6,347,900)

The aggregate cost of investments, unrealized appreciation and depreciation, for federal income tax purposes at June 30, 2006 is as follows:

	<u>Aggregate Cost</u>	<u>Aggregate Gross Unrealized Appreciation</u>	<u>Aggregate Gross Unrealized Depreciation</u>	<u>Net Unrealized Appreciation</u>
Equity Income Fund . . . . .	\$ 23,178,785	\$ 1,649,088	\$ (461,332)	\$ 1,187,756
Growth Fund . . . . .	1,313,789,903	345,132,325	(31,331,151)	313,801,174
Value Fund . . . . .	1,464,460,023	204,767,944	(36,374,320)	168,393,624

# Meridian Fund, Inc.

## Notes to Financial Statements (continued)

For the Year Ended June 30, 2006

### Components of Accumulated Earnings (Losses) on a Tax Basis

	<u>Equity Income Fund</u>	<u>Growth Fund</u>	<u>Value Fund</u>
Undistributed ordinary income . . . . .	\$ 213,040	\$ —	\$ —
Undistributed long-term capital gains . . . . .	—	62,715,363	151,306,183
Post October losses deferred . . . . .	(6,670)	—	—
Unrealized appreciation . . . . .	<u>1,187,756</u>	<u>313,801,174</u>	<u>168,393,624</u>
Total Accumulated Earnings . . . . .	<u>\$1,394,126</u>	<u>\$376,516,537</u>	<u>\$319,699,807</u>

Post-October losses represent losses realized on investment transactions from November 1, 2005 through June 30, 2006 that, in accordance with Federal income tax regulations, the Funds have elected to defer and treat as having arisen in the following fiscal year. The differences between book and tax-basis unrealized appreciation are attributable primarily to the tax deferral of losses on wash sales.

# Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of  
Meridian Fund, Inc.

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of the Meridian Equity Income Fund®, Meridian Growth Fund® and Meridian Value Fund® (constituting Meridian Fund, Inc., hereafter referred to as the “Funds”) at June 30, 2006, the results of each of their operations for the period then ended and the changes in each of their net assets and the financial highlights for each of the periods presented, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as “financial statements”) are the responsibility of the Funds’ management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at June 30, 2006 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP  
San Francisco, California  
August 14, 2006

# Meridian Fund, Inc.

## Additional Information

For the Year Ended June 30, 2006

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1. **Proxy Voting Record and Proxy Voting Policies and Procedures:** A description of the policies and procedures that each Fund uses to determine how to vote proxies relating to portfolio securities along with information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12 month period ended June 30, 2006 is available (i) without charge, upon request, by calling (800) 446-6662; (ii) on our website at <http://www.meridianfund.com>; and (iii) on the Securities and Exchange Commission ("SEC") website at <http://www.sec.gov>.
2. **Information on Form N-Q:** The Company files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q within sixty days after the end of the period. The Company's Form N-Q is available on the SEC's website at <http://www.sec.gov>, and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-202-551-8090.

# Disclosure Regarding Approval of Investment Advisory Agreements (Unaudited)

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The Directors of the Funds unanimously approved the continuance of the Investment Advisory Agreements between the Meridian Growth Fund, the Meridian Value Fund and the Meridian Equity Income Fund and the Adviser at a meeting held on October 5, 2005.

In preparation for the meetings, the Directors received and evaluated information supplied by the Adviser in response to a letter prepared by counsel, at the Board of Director's request, which identified items that should be reviewed in order for the Directors to gain reasonable assurance that they have sufficiently considered all relevant and required information related to approval of the Advisory Agreements. The Directors examined and considered, among other items, performance and expense information of other investment companies with similar objectives, derived from data compiled by an independent third-party provider. The Independent Directors of the Funds also met in a private session at which no representatives of the Adviser were present prior to voting to approve the Advisory Agreements with respect to each of the Funds. In reaching their conclusions, the Directors considered factors they believed materially related to the selection of the Adviser, the approval of the fee structures and any other amounts paid under the Advisory Agreements. The Directors based their decisions on the evaluation of all factors taken as a whole and did not consider any one factor as all-important or controlling. Some of the factors considered are discussed in more detail below.

The Directors considered the nature, extent and quality of the investment research and portfolio management functions of the Adviser and the resources the Adviser has dedicated to performing services for the Funds. The Directors also considered the respective investment strategies of the Funds and noted favorably the Adviser's demonstrated ability, over time, to achieve a highly competitive rate of return for long-term investors. The quality of other services, including the Adviser's assistance in the coordination of the activities of the Funds relating to other service providers, fund administration and compliance programs also was considered. The Directors considered the consistency of the Funds' service quality when forming a basis for their confidence in the Adviser's integrity and competence, in light of their on-going experience as Directors of the Funds. The Directors concluded that, in all material respects, they were satisfied with the nature, extent and quality of services provided (and expected to be provided) to the Funds under the Advisory Agreements.

At their meetings, the Directors reviewed the current and long-term performance of the Funds. The Directors noted that both the Meridian Growth Fund and the Meridian Value Fund had recently been recognized by independent rating agencies as being among the top performing funds in their categories over a ten and five year period, respectively. In addition to the information reviewed by the Directors during the meetings, the Directors receive detailed monthly performance reports for the Funds throughout the year. These reports present the Funds' performance in comparison to both broad market and peer group indices. Based upon their review, the Directors concluded that the Adviser's management of the Funds' investment portfolios has resulted in consistently competitive performance overall and, in particular, returns for long-term investors that are well above average.

## Disclosure Regarding Approval of Investment Advisory Agreements (Unaudited) (continued)

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The Directors considered the direct and indirect costs incurred by the Adviser in providing investment management services for the Funds. In light of the changes in assets under management for each Fund during relevant time periods, the Directors concluded that economies of scale currently being realized do not necessarily warrant the implementation of additional breakpoints for any of the Funds. While intending to monitor future growth in Fund assets, and to the extent that economies of scale are realized, the Directors believe that current advisory fee levels reflect an equitable sharing of benefits with shareholders. The Directors concluded that profits being realized by the Adviser from its relationship with the Funds are reasonable and appropriate, based on the business judgment of the Directors, with consideration duly given to, among other things, the nature and quality of services provided, the outstanding long-term performance of the Funds, investment industry practices and comparable funds' average fee expense, determined using independent third party data. The Directors recognized that it is difficult to make comparisons of profitability from investment advisory contracts. This is because comparative information is not generally publicly available and is affected by numerous factors, including the structure of the particular adviser, the type of clients it advises, its business mix, and numerous assumptions regarding allocations and the adviser's capital and management structure.

The Directors additionally considered certain benefits the Adviser realizes due to its relationship with the Funds. In particular, the Adviser has arrangements under which certain brokers may provide industry research to the Adviser's portfolio managers through the use of a portion of the brokerage commissions generated from the Adviser's trading activities on behalf of the Funds. The Directors acknowledge that the Funds' shareholders benefit as well from these research products paid for through broker commissions and soft dollar arrangements.

# Information About the Directors and Officers of Meridian Fund, Inc.

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The individuals listed below serve as Directors or Officers of Meridian Fund, Inc. (the “Meridian Funds”). Each Director of the Meridian Funds serves until a successor is elected and qualified or until resignation. Each Officer of the Meridian Funds is elected annually by the Board of Directors. The address of all Officers and Directors is 60 East Sir Francis Drake Blvd., Suite 306, Larkspur, CA 94939. The Meridian Funds’ Statement of Additional Information (SAI) includes more information about the Directors. To request a free copy, call Meridian Funds at 1-800-446-6662.

## Interested Directors \*

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Richard F. Aster, Jr. (66)

Positions(s) Held with Meridian Funds: President, Chairman of the Board, Portfolio Manager

Length of Service (Beginning Date): May 3, 1985

Principal Occupation(s) During Past 5 Years: President, Aster Investment Management, Inc.

Number of Portfolios Overseen: 3

Other Directorships: N/A

Michael Stolper (61)

Positions(s) Held with Meridian Funds: Director

Length of Service (Beginning Date): May 3, 1985

Principal Occupation(s) During Past 5 Years: Investment Adviser and Broker/Dealer, Stolper & Company, Inc.

Number of Portfolios Overseen: 3

Other Directorships: Kane Miller Publishing, Window Pane Funds

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\* Aster Investment Management, Inc. is investment adviser to the Meridian Funds.  
Mr. Stolper is a minority owner of Aster Investment Management, Inc.

# Information About the Directors and Officers of Meridian Fund, Inc. (continued)

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## Independent Directors

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Ralph Cechettini (66)

Positions(s) Held with Meridian Funds: Director

Length of Service (Beginning Date): October 6, 2004

Principal Occupation(s) During Past 5 Years: Owner and Portfolio Manager, CIM  
Portfolio Advisers; Managing Partner, Pivotal Asset Management, LLC

Number of Portfolios Overseen: 3

Other Directorships: Guide Dogs for the Blind, Inc.

Michael S. Erickson (54)

Positions(s) Held with Meridian Funds: Director

Length of Service (Beginning Date): May 3, 1985

Principal Occupation(s) During Past 5 Years: Private Investor

Number of Portfolios Overseen: 3

Other Directorships: AeroAstro, Decimal, Inc., The Marin School

James Bernard Glavin (71)

Positions(s) Held with Meridian Funds: Vice Chairman of the Board

Length of Service (Beginning Date): May 3, 1985

Principal Occupation(s) During Past 5 Years: Chairman of the Board, The Immune Response Corp.

Number of Portfolios Overseen: 3

Other Directorships: N/A

Herbert Charles Kay (69)

Positions(s) Held with Meridian Funds: Director

Length of Service (Beginning Date): May 3, 1985

Principal Occupation(s) During Past 5 Years: Private Investor

Number of Portfolios Overseen: 3

Other Directorships: N/A

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## Officers

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Gregg B. Keeling, CPA (51)

Positions(s) Held with Meridian Funds: Chief Financial Officer, Treasurer, Secretary and Chief  
Compliance Officer

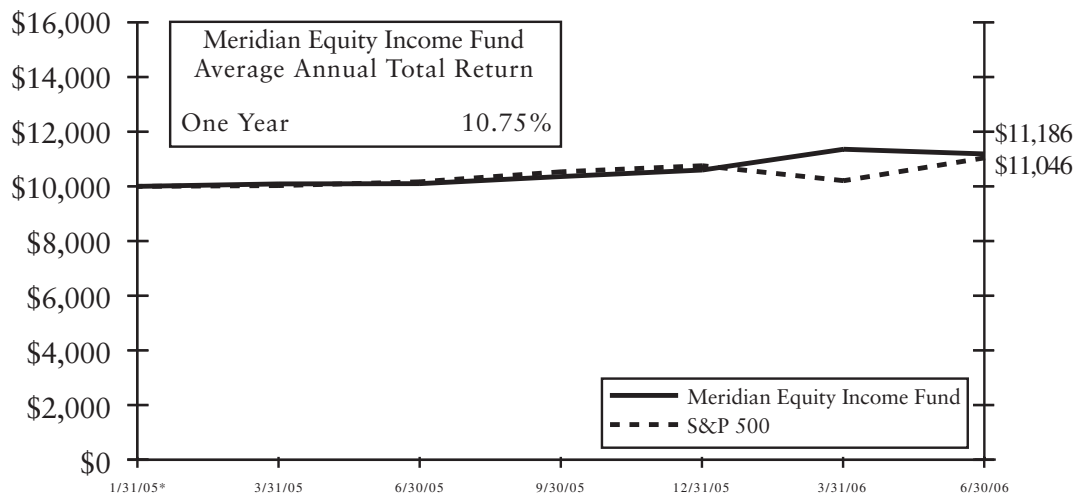
Length of Service: (Beginning Date) April 1999

Principal Occupation(s) During Past 5 Years: Aster Investment Management, Inc., Vice President of  
Operations and Chief Compliance Officer

# Management's Discussion of Meridian Equity Income Fund Performance

During the fiscal year ended June 30, 2006, the Meridian Equity Income Fund gained 10.75% compared to a gain of 8.62% for the S&P 500 with reinvested dividends, a gain of 14.58% for the Russell 2000, and a gain of 5.60% for the NASDAQ. The positive performance reflected the strength of our holdings in the consumer products, electrical equipment, industrial services, paper/forest products, retail and telecommunications services sectors, as well as the performance of individual stocks that may be the only issue we own in a particular sector. This was offset, primarily by weakness in our holdings in the banking, business services, chemicals, and insurance sectors, as well as the performance of individual stocks that may be the only issue we own in a particular sector. Not being weighted in the best performing sectors during the period materially affected the Fund's performance. The Fund emphasizes investments in companies that pay dividends or interest, have the potential for capital appreciation and which the Investment Adviser believes may have the capacity to raise dividends in the future.

Value of \$10,000 invested in the Meridian Equity Income Fund and the S&P 500



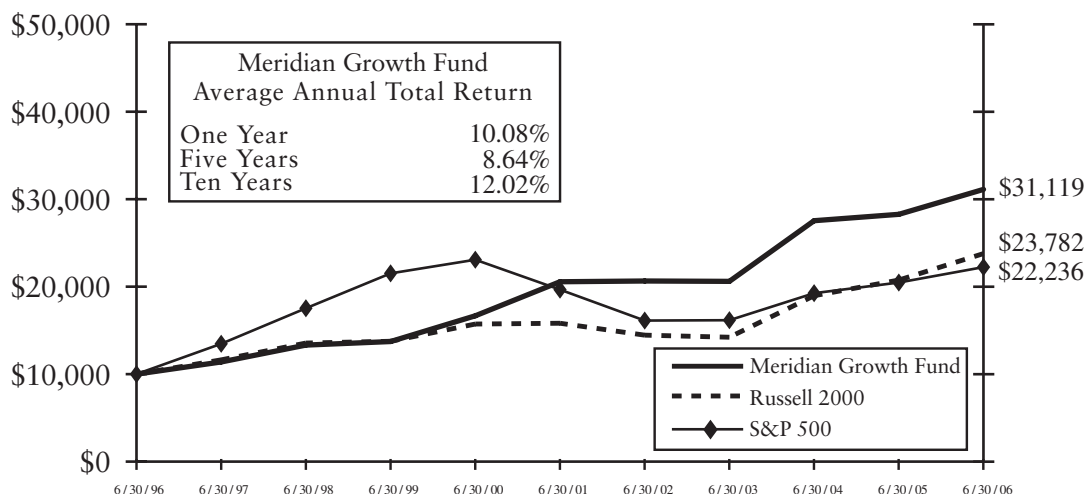
Past performance is not predictive of future performance. The graph and table do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. Net asset value, investment return and principal value will fluctuate, so shares, when redeemed, may be worth more or less than their original cost.

\* Inception date.

# Management's Discussion of Meridian Growth Fund Performance

During the fiscal year ended June 30, 2006, the Meridian Growth Fund gained 10.08% compared to a gain of 8.62% for the S&P 500 with reinvested dividends, a gain of 14.58% for the Russell 2000, and a gain of 5.60% for the NASDAQ. The positive performance reflected the strength of our holdings in the brokerage and money management, business services and industrial products and services sectors, as well as the performance of individual stocks that may be the only issue we own in a particular sector. This was offset, primarily by weakness in our holdings in the banking, consumer services, healthcare services, restaurants, retail and telecommunication equipment sectors, as well as the performance of individual stocks that may be the only issue we own in a particular sector. Not being weighted in the best performing sectors during the period materially affected the Fund's performance. Additionally, as the Fund's investments include companies that are relatively small in terms of total assets, revenues and earnings, the Fund's performance is influenced by the broad stock market fluctuations of the small and mid-cap company sectors.

Value of \$10,000 invested in the Meridian Growth Fund, the S&P 500 and the Russell 2000



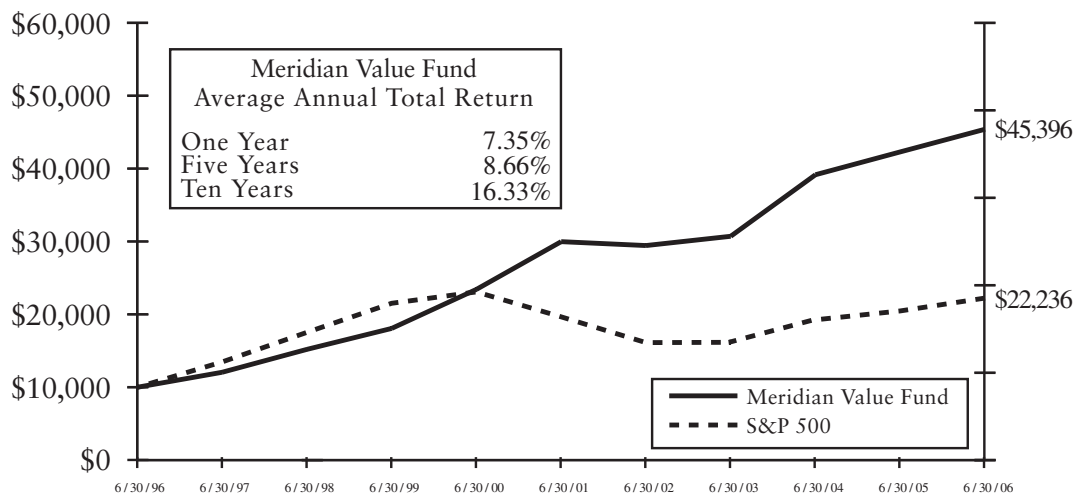
Past performance is not predictive of future performance. The graph and table do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. Net asset value, investment return and principal value will fluctuate, so shares, when redeemed, may be worth more or less than their original cost.

# Management's Discussion of Meridian Value Fund Performance

During the fiscal year ended June 30, 2006, the Meridian Value Fund gained 7.35% compared to a gain of 8.62% for the S&P 500 with reinvested dividends, a gain of 14.58% for the Russell 2000, and a gain of 5.60% for the NASDAQ. The positive performance reflected the strength of our holdings in the aerospace/defense, energy, industrial products/services, real estate, telecommunications equipment and transportation sectors. This was offset primarily by weakness in our holdings, with some exceptions, in the food and beverage, consumer services, furniture/fixtures, healthcare products/services, media and retail sectors. These factors materially affected the Fund's performance.

The Meridian Value Fund's strategy is to invest in stocks, across a range of market capitalizations, which the Investment Adviser believes are undervalued in relation to the issuer's long-term earnings power, asset value and/or the stock market in general. Investments include both smaller company equities and mid-to-large capitalization stocks. Based on this strategy, the Fund's average compounded annual return for the ten-year period from June 30, 1996 to June 30, 2006 was 16.33% compared to 8.30% for the S&P 500, with reinvested dividends. The Fund did not approach full investment status until June 30, 1995, with cash comprising approximately 45-50% of the Fund's total portfolio from inception until June 30, 1995. The Meridian Value Fund's average compounded annual return from inception to June 30, 2006 was 16.95%, compared to 10.90% for the S&P 500, with reinvested dividends.

Value of \$10,000 invested in the Meridian Value Fund and the S&P 500



Past performance is not predictive of future performance. The graph and table do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. Net asset value, investment return and principal value will fluctuate, so shares, when redeemed, may be worth more or less than their original cost.

## 2006 TAX NOTICE TO SHAREHOLDERS (Unaudited)

The information set forth below is for the Fund's fiscal year as required by Federal laws. Shareholders, however, must report distributions on a calendar year basis for income tax purposes, which may include distributions for portions of two fiscal years of a fund. Accordingly, the information needed by shareholders for income tax purposes will be sent to them in early 2007. Please consult your tax advisor for proper treatment of this information.

Pursuant to Internal Revenue Code Section 852(b)(3), the Funds listed below designate the amounts listed below as a long-term capital gain distribution of the year ended June 30, 2006:

Equity Income Fund . . . . .	\$	—
Growth Fund . . . . .	\$	35,405,369
Value Fund . . . . .	\$	206,686,153

Pursuant to Internal Revenue Code Section 854(b)(2), the Funds listed below designate a percentage of its ordinary income dividends distributed during the year ended June 30, 2006 as qualifying for the corporate dividends-received deduction:

Equity Income Fund. . . . .	89.14%
Growth Fund. . . . .	37.78%
Value Fund . . . . .	92.07%

Pursuant to Section 1(h)(11) of the Internal Revenue Code, the Funds listed below designate the following amounts of their income dividends paid during the year ended June 30, 2006 as qualified dividend income (QDI):

Equity Income Fund. . . . .	100.00%
Growth Fund. . . . .	0.00%
Value Fund . . . . .	77.21%

# MERIDIAN FUND, INC.

This report is submitted for the information of shareholders of Meridian Fund, Inc. It is not authorized for distribution to prospective investors unless preceded or accompanied by an effective prospectus.

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## ANNUAL REPORT



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