



A No-Load Mutual Fund Managed by:
Front Street Capital Management, Inc.

These quarterly letters have highlighted the companies we have had the privilege to own in your portfolio (the Tarkio Fund) for the long term. This quarter we are proud to discuss The Herman Miller Corporation.

As we have reviewed in previous correspondence, our criteria for selecting companies for long term investment is based upon the following set of management principles:

- Integrity - Trust
- Long-Term Focus
- Purpose & Passion
- Teamwork – Cooperation Not Competition
- Employee Empowerment – Drive Fear Out of Organization
- Disciplined Capital Allocation

We believe if a company can adhere to some or all these principles in a consistent manner, a culture will evolve that brings out the best in the human spirit and energizes the company to gain a distinct advantage over its peers. In addition, we have found that companies consistently adhering to these principles create behavior that becomes imbedded and reinforced through its culture. So much so that their advantaged position can potentially breed into the future.

We believe Herman Miller is one of the pioneers in developing an energized progressive corporate culture. Herman Miller is a leader in the design and manufacturing of office furniture. The company was founded in 1923 when Herman Miller helped fund the acquisition of Star Furniture in Zeeland, Michigan with his son-in law D.J. DePree. Although Herman Miller never took an active role in the company, DePree decided to honor his father-in-law's contribution into perpetuity by naming the company after him. D.J.'s epiphany for developing a humanistic corporate culture came with what is now company folklore: "The Millwright Story". As the story goes, DePree attended the funeral service of a company millwright whom he had known in passing around the company for years. However, at the service they read from the millwright's extensive and beautiful works of poetry. D.J. had no idea of the millwright's extraordinary poetic talent and was emotionally moved by the experience. A question haunted D.J.: was he a poet or a millwright? From that day on, D.J. DePree and the leaders who succeeded him (including his two sons) were on a quest to develop a culture that would fully appreciate the uniqueness and potential of every employee. DePree's leadership style would later be coined "Servant Leadership" by Robert Greenleaf (whose writings have also influenced our criteria).

D.J.'s work was enhanced over the ensuing years by the work of his son and successor, Hugh DePree, and then again by Hugh's brother Max. Max wrote five ground breaking books on the subject of Servant Leadership and empowerment of employees. The most influential of these are "Leadership as an Art" and "Leadership Jazz", both of which we highly recommend.

As we have also discussed in past correspondence, the greatest influence on our criteria is the work of W. Edwards Deming. Deming miraculously transformed the Japanese business culture from the devastation of

World War II to an economic powerhouse in the 1980's. The precursor to Dr. Deming's work was the Scanlon Plan, which Herman Miller boldly adopted in the early 1940's. The Scanlon Plan was based on a concept that later became a key Deming principle: consistently empowering employees to be able to make decisions **and mistakes**, a process that would eventually transform the company into a dynamic learning organization. Deming describes it as, "driving fear out of the organization."

We believe it is no surprise that, as a result, Herman Miller has pioneered many major innovations in office workspace design since 1923. Herman Miller began empowering the creative design work of Charles and Ray Eames, George Nelson, and many others. Their innovation created an entirely new "modern design" genre of furniture that eventually would go far beyond the office. In addition, they designed the first cubicle, the first ergonomic chair (the "Aeron" chair), the first 100% sustainable furniture line, pioneered the open collaborative workspace, and much more. As we speak, the company is focusing their innovative and empowered culture on reinventing the home office through their retail division Design Within Reach.

In conclusion, we believe in our bones that companies with a culture that energizes the human spirit will, over time, win in the marketplace and ultimately provide superior investment returns for all of you as well as us (the shareholders of the Tarkio Fund). In this letter we are proud to present Herman Miller, whose humanistic corporate culture has been cultivated and nurtured for over eight decades. Ginger, Michele, Jeremy, Dominic and I are grateful for your long-term investment and continued confidence.

Warm regards,



Front Street Capital Management, Inc. serves as the Investment Adviser to the Tarkio Fund.

On December 31, 2016, Herman Miller was 3.19% of the Tarkio Fund Portfolio at a share price of \$34.20 per share. The mention of any investments in this commentary should not be considered a recommendation to sell or purchase the security(ies) mentioned or similar investments. Please consult an investment professional on how the purchase or sale of such investments can be implemented to meet your particular investment objective or goals. Investments in securities and/or similar investments are subject to risks. It is important to obtain information about and understand these risks prior to investing.

Mutual Fund investing involves risk. Such risks associated with the Tarkio Fund (including but not limited to Small/Medium Capitalization Risks, Foreign Securities Risk, Fixed Income Securities Risk, Non-Diversification Risk, and New Fund/Adviser Risk) as well as applicable investment objectives, charges and expenses must be considered carefully before investing. This and other important information about the Tarkio Fund is found in the Prospectus, a copy of which or current performance information may be obtained by visiting www.tarkiofund.com or by contacting 866-738-3629. We encourage you to read the prospectus before investing.

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