Be a Learn-it-All; not a Know-it-All

As we have discussed in our previous correspondence, our successes over the past two decades have been the result of intense work and research on Lean management practices. That work, and our understanding of Lean, has accelerated over the past decade as we have been invited into the inner workings of companies courageously instituting these powerful cultural concepts.

At its core, a Lean culture exists to create an environment where employees at all levels can reach their full potential through empowerment and cross-functional collaboration.[1] More recently, we have refined our criteria even further as we have developed strong relationships with exceptional Lean leaders across our portfolio. These relationships have led to introductions to even more proven transformational leaders who are elevating engagement and collaboration in companies that have recently struggled to reach their potential.

Taking this concept one step further, we have become directly and deeply involved in cultural transformations within two local companies. This experience has opened our eyes to how difficult these turnarounds truly are and how radically different this approach is compared to traditional top-down management. It requires a total mindset shift to commit to a philosophy of continual improvement. More on this "learn-it-all" mentality shortly. The learning benefit of this hands-on approach is twofold:

- We can more effectively evaluate the status and trajectory of cultural transformations within our public companies.
- We have gained trust and empathy with our public companies' leadership teams through shared experience, as we engage in this challenging work ourselves within local companies.

Historically, we identified proven Lean companies and waited to acquire ownership at attractive prices. Then we would try to hold them for as long as we can while getting the benefit of long-term compounding. This is a strategy that has worked well for us. Today, we can better identify struggling companies at even more compelling valuations – at the very moment transformation begins – often when a proven Lean leader is brought in.

Recent examples of companies selected under this evolving framework include General Electric, Modine, and Lumen Technologies. While Lumen has already been a meaningful contributor, we believe it remains in the early stages of its recovery, with the steepest part of its improvement curve still ahead.

Lumen's CEO, Kate Johnson, exemplifies the type of leadership required in these environments. As we've gone deeper into Lean, we've found it essential to return periodically to foundational

[1] As we remind our investors each quarter, we look for companies that exhibit the following qualities, which we believe predict long-term improvement and compounding: Humility, Integrity, Trust – Long-Term Focus – Purpose & Passion – Teamwork: Cooperation; Not Competition – Employee Empowerment: Drive Fear Out of the Organization – Disciplined Capital Allocation

principles. Kate captures this succinctly: “We want to build a culture of Learn-it-Alls, not Know-it-Alls.”

In our observation, two defining characteristics of successful transformation leaders are courage and a growth mindset, and there are few more courageous leaders than Kate.

We have seen firsthand that the “Know-it-All” mindset is one of the most significant barriers to progress. It distracts from improvement, blocks forward momentum, and often keeps organizations anchored in the past—pining with nostalgia rather than building the future.

In contrast, a “Learn-it-All” mindset inspires individuals to lean into their natural talents and gifts, while remaining curious and eager to address every challenge. When that happens, organizations can leverage those capabilities exponentially.

This shift is not easy. Resistance is natural. It often shows up as defensiveness, attachment to past success, or fear of losing status. But this resistance, and all other difficulties and obstacles, must be acknowledged and worked through – not avoided – because it is the very tension that enables transformation.

A Learn-it-All culture creates empowered employees who are energized to pursue excellence. In these environments:

- Difficult conversations lead to innovation rather than self-protection
- Problems are surfaced rather than hidden, to be solved by cooperative teams
- Ownership replaces compliance
- Curiosity surpasses certainty

This mindset allows organizations to (in Kate’s words) “play to win, not play not to lose.”

The transition itself can be brutal. Many “Know-it-Alls” are highly knowledgeable, which makes the shift even more challenging. They must choose to prioritize the organization’s growth over their own ego. In some cases, individuals who cannot make this shift must exit, even if they hold deep institutional knowledge.

This requires conviction from leadership. It can appear counterintuitive – even reckless – to remove long-standing knowledge centers. The markets might not like it. But without this change, the culture cannot evolve.

Over time, momentum builds. More individuals buy in. Those who do not often self-select out. Eventually, the organization reaches a tipping point where progress compounds and the flywheel begins to turn on its own.

It is both humbling and energizing for us to witness these patterns firsthand. As they develop, we are able to build ownership positions in future standout companies before broader markets recognize their potential.

This is where our fifty-year learning journey – our commitment to Kaizen – has brought us. Continuous learning and improvement remain the cornerstone of the cultures within our portfolio and the foundation of everything we do at Front Street Capital and the Tarkio Fund.

In our last letter, we referenced five new holdings identified in the earliest stages of this type of transformation: Azenta, International Paper, Baxter, HNI Corp, and Enovis.

We are deeply grateful for your continued confidence in our process and for entrusting us with your capital. We hope these correspondences allow you to learn alongside us.

Respectfully,

The Front Street Capital Management Team
Michele, Ginger, Jacqueline, Jeremy & Russ

Ticker	06/30/2026 Closing Share Price	Percentage
GE	$373.73	11.09%
LUMN	$7.68	11.81%
MOD	$267.02	4.58%
AZTA	$25.52	4.61%
IP	$38.10	4.75%
BAX	$21.32	4.72%
HNI	$40.41	3.89%
ENOV	$20.70	2.87%

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