



FRONT STREET

INVESTMENT MANAGEMENT

Firm Brochure

(Part 2A of Form ADV)

March 31, 2012

This brochure provides information about the qualifications and business practices of Front Street Investment Management LLC. If you have any questions about the contents of this brochure, please contact us at (231) 947-3775 or info@frontstreet.com.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Front Street Investment Management LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

Front Street Investment Management LLC
310 W. Front Street, Suite 411
Traverse City, MI 49684
www.frontstreet.com

Ph: (231) 947-3775
Ph: (866) 933-7668 (toll-free)
Fx: (231) 947-3799
info@frontstreet.com

Material Changes

Annual Update

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of our Firm Brochure.

Material Changes since the Last Update

In February of 2012, Front Street Investment Management's office address has changed to: 310 W. Front Street, Suite 411, Traverse City, Michigan 49684

Front Street Investment Management is in the process of applying for Michigan registration with the State of Michigan Office of Financial and Insurance Regulation. The firm is no longer eligible to be registered with the Securities and Exchange Commission (SEC) due to the increase in the minimum amount of assets under management (AUM) required by the SEC. The SEC now requires a minimum of \$100 million in AUM for a registered investment advisory firm to be registered with them. As of December 31, 2011, Front Street Investment Management had total assets under management of \$ 66.9 million for approximately 69 clients with 178 separate accounts.

In 2011 the firm subscribed to a service called *ClientView Live* by Junxure that allows us to post clients' reports, investment memos, newsletters and other reports to a password protected, secured website to which clients have access. Front Street is able to use this service to provide clients daily reports versus just quarterly reports when distribution by regular mail is requested by the client. Clients can also use this service to communicate with us and to upload documents in a secure way to the website for our review and for storage purposes

Front Street Investment Management instituted a policy concerning shareholder class action lawsuits. Front Street Investment Management is not responsible for deciding or acting on whether or not clients should participate in shareholder class action lawsuits. Each client is solely responsible for making that decision for his or her own investment account and for filling out and submitting the required forms and any other documentation.

Should a client choose to participate in a lawsuit, the firm will help, at the client's requests, to facilitate the documentation process by providing the client security trading and certain other information for those securities that were purchased for the client by Front Street Investment Management.

Front Street Investment Management reserves the right to advise clients to participate or not participate in certain shareholder lawsuit settlements when that advice is requested by the clients for securities that were purchased by Front Street for the benefit of the client. That decision will primarily be based on the expected settlement amount to shareholders.

There have been no other material changes with the firm, including the ownership, personnel, business services, and practices.

Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: (231) 947-3775 or by email at info@frontstreet.com. Additionally we will be publishing an up-to-date version of our Firm brochure on our website www.frontstreet.com



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Advisory Business

Firm Description

Front Street Investment Management, LLC (Front Street) was founded in early 2003 by Jason P. Tank and John W. Gudritz, both designated Charter Financial Analysts (CFA's).

We currently have three employees, including a full-time administrative assistant who manages the operations in the office.

Front Street Investment Management LLC provides personalized and confidential investment management and financial planning services primarily to individuals, trusts, estates, small family businesses, pensions and profit sharing plans.

Front Street works with clients to define their financial and investment objectives and to develop customized savings and investment strategies to achieve those objectives.

The process begins with a current comprehensive financial review of the client that is used, among other things, to determine the appropriate level of risk to be taken in the investment management program. Our services include providing analysis and advice for any financial questions or problems that might arise.

Front Street Investment Management is a strictly fee-only investment advisory firm that also provides financial planning services. The firm does not sell annuities, life insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products. Our firm is not affiliated any entities that sell financial products or securities. No commissions or referral fees in any form are either paid or accepted by us at any time.

Front Street does not act as a custodian of client assets. We recommend that our clients use Charles Schwab & Company as the custodian of their assets. Front Street has full discretion to place trades for clients under a limited power of attorney.

At the clients' request we will recommend other professionals (e.g., lawyers, accountants, insurance agents, real estate agents, etc.) No referral fees are accepted by us for these recommendations.

The initial meeting, which may be in person or by telephone, is free of charge and is considered an exploratory interview to determine the extent to which our services may be beneficial to the client.

Principal Owners

Jason P. Tank and John W. Gudritz each own 50% of Front Street Investment Management, LLC. There are no other businesses connected to the firm.

Types of Advisory Services

The primary type of service provided by Front Street Investment Management is investment management, also known as asset management.

In addition and upon request, Front Street will provide financial planning services for clients but typically only as part of an on-going investment management relationship.

In performing its services, Front Street Investment Management is not required to verify any information received from the client or from the client's other professionals. Each client is advised that it remains his or her responsibility to promptly notify Front Street when there is any significant change in his or her financial situation and/or financial objectives for the purpose of reviewing, evaluating or revising previous financial plans and investment strategies.

As of December 31, 2011, Front Street Investment Management had total assets under management of \$66.9 million for approximately 69 clients with 178 separate accounts. All of the assets on which a fee is charged by Front Street are managed on a discretionary basis. Discretionary management differs from a non-discretionary relationship that typically requires client permission each and every time a transactions is executed.

At a client's request, Front Street will hold certain assets in a client's account on an unsupervised basis. Our reports to clients will include these specially designated assets on our Portfolio Holdings statement under "Unsupervised Assets". Front Street is not responsible to review or analyze these assets, provide advice or take any action with them. Further, Front Street does not charge a fee on these assets. Unsupervised assets are not included in our above disclosed calculation of total assets under management.

Tailored Relationships

The Investment Management Guidelines and Restrictions Agreement for each client are documented in the Investment Management Agreement that is approved and signed by the client and by a Principal of Front Street. Clients may impose restrictions on investing in certain securities or types of securities within reason. However, we do reserve the right to terminate the relationship with the client should the restrictions become excessive in Front Street's opinion.

Types of Agreements

The following agreements define the typical client relationships:

Investment Management Agreement

Clients of Front Street Investment Management hire us to manage their investment assets according to the terms of the agreed upon Investment Management Agreement, which include the investment guidelines.

All aspects of the client's financial affairs are reviewed and analyzed to determine appropriate and measurable financial objectives and investment goals as well as the amount of risk that is prudent for the particular client. As goals and objectives change over time, corresponding changes to investment strategies are made and implemented.

The fee for our Investment Management service is provided to the client in writing in the Investment Management Agreement prior to the start of the relationship.

While our fee is for the ongoing investment management services provided, at this time it also covers financial planning services that include areas such as planning for retirement, reviewing of insurance policies, college savings plan, and estate planning.

Our review of these areas is for the purpose of determining if there is a need for the client to hire other legal or financial professionals to address possible concerns. Neither Front Street nor any of its employees receive referral fees if referrals to other professional are made to the client.

Hourly Planning Engagements

Front Street Investment Management provides hourly planning services for approved non-investment management clients who need advice on a limited scope of work. The hourly rate for limited scope engagements is \$150.

Types of Investments

Front Street Investment Management invests clients' money in equities (common and preferred stocks) that are traded on are listed on stock exchanges and over-the-counter both here in the United States as well as overseas on foreign exchanges. We may also invest in warrants and, if approved by our clients, we may also invest in option contracts.

We also invest in the following fixed income securities (bonds); U.S. Treasury and government agency securities, corporate bonds, commercial paper, certificates of deposit and municipal bonds.



We may also invest in Exchange Traded Funds (ETF's) and in investment company securities (variable life insurance, variable annuities and mutual funds.)

Again, Front Street receives no compensation in the form of commissions or referral fees when choosing to invest in any of the above vehicles on behalf of our clients. In our view, this is what it means to be a strictly fee-only advisory firm.

Termination of Agreement

A client may terminate the Investment Management Agreement at any time by notifying Front Street Investment Management in writing.

Front Street Investment Management may terminate the Investment Management Agreement at any time by notifying the client in writing.

Upon termination of our relationship, as described in detail below, Front Street will refund any unearned investment management fees to our former client.

Fees and Compensation

Description

Front Street Investment Management bases its fees on a percentage of assets under management. We do not earn a percentage of profits earned by the client.

Financial plans for investment management clients are typically included in the fee for investment management. However, Front Street Investment Management reserves the right with advanced notice to the client to charge an additional fee if the degree of complexity associated with the client's situation warrants it.

The annual Investment Management Agreement fee is based on a percentage of the client's total supervised assets on the last day of each calendar quarter according to the following schedule:

<u>Amount of Assets</u>	<u>Fee</u>
First \$500,000	1.00% annualized, billing 0.25% each quarter in advance
Next \$500,000	0.875% annualized, billing 0.219% each quarter in advance
Next \$2 million	0.75% annualized, billing 0.188% each quarter in advance
Next \$2 million	0.66% annualized, billing 0.165% each quarter in advance
Next \$5 million	0.50% annualized, billing 0.125% each quarter in advance.
Next \$5 million	0.35% annualized, billing 0.0875% each quarter in advance.
Amounts above \$10 million are negotiable	

For clients who participate in their employer sponsored retirement plans and desire to hire Front Street for their investment advisory services related to these

accounts, we charge a fee of 0.5% annualized, billed 0.125% each quarter in advance. Front Street reserves the right to reject the management of these types of retirement plan accounts due to, among other reasons, account size and/or the plan offering limited investment choices.

Current client relationships may exist where the fees are higher or lower than the fee schedule above.

The client or Front Street Investment Management may terminate the Agreement by written notice to the other party. At termination, as mentioned above, fees will be prorated for the portion of the quarter completed and the unearned fee will be refunded to the client.

The portfolio value at the completion of the prior full billing quarter is used as the basis for the fee computation, adjusted for the number of days during the billing quarter prior to termination.

Fee Billing

Investment management fees are billed quarterly, in advance, meaning that we invoice you before the three-month billing period has begun. They are billed during the first few weeks following the end of a calendar quarter. Fees are deducted from a designated client account to facilitate billing. The client must consent in advance to direct debiting of their investment account.

If the client of Front Street Investment Management decides to terminate the Investment Management Agreement prior to the end of a calendar quarter, Front Street will refund any unearned portion of the advance payment of the fee within five (5) business days of the date of notice of termination.

The total portfolio value (excluding any unsupervised assets) at the end of the prior full billing quarter is used as the basis for the fee computation. The refund is calculated by multiplying the last quarterly fee billed by the percentage of days remaining from the termination date to the end of the quarter.

Other Fees

Custodians, such as Charles Schwab & Company, charge transaction fees on purchases or sales of equity and fixed income securities, option contracts, mutual funds and exchange-traded funds. All transaction fees and any other custodial fees charged by the custodian are paid by the client. Front Street Investment Management does not receive any portion of those fees or any other compensation from the custodian.

Open-end no-load mutual funds, closed-end funds and Exchange Traded Funds (ETF's) in which Front Street may invest clients' money also charge various fees, including investment management fees, which are disclosed in the fund's prospectus. These fees are in addition to the fees paid by the client to Front Street Investment Management.

Performance-Based Fees

Sharing of Capital Gains

Fees are not charged based on a share of the capital gains or capital appreciation of our clients' portfolios.

Front Street Investment Management does not use a performance-based fee structure because of the potential conflict of interest.

In our opinion, performance-based compensation may create an incentive for the adviser to invest in assets that may carry a higher degree of risk to the client in an effort to increase the adviser's performance-based fees.

Types of Clients

Description

Front Street Investment Management generally provides investment management services to individuals, trusts, estates, pension and profit sharing plans, charitable organizations, and other business entities. Client relationships vary in scope and length of service.

Account Minimums

The minimum account size is \$500,000 of assets under management, which equates to an annual fee of \$5,000.

However, Front Street Investment Management does not charge a minimum annual investment management fee.

Of course, Front Street Investment Management has the discretion to waive the account size minimum. Accounts of less than \$500,000 may be set up when the client and the adviser anticipate the client will add additional funds to the accounts at some point in the future bringing the total to \$500,000 or more. Other exceptions may apply to employees of Front Street and their relatives, or relatives of existing clients.

Methods of Analysis, Investment Strategies and Risk of Loss

Our Portfolio Management Process

Client Risk Assessment. At the beginning of any new client relationship and when appropriate Jason Tank and John Gudritz will determine an appropriate level of risk to be assumed by the client's Consolidated Portfolio and all other individual portfolios that are managed separately under an Aggregate Household Account for the following year.

The *Consolidated Portfolio* is defined as all individual accounts that will be considered together from a risk, asset allocation and diversification standpoint in the portfolio management process.

The *Aggregate Household Account* means all accounts under management for the client, consolidated and possibly some individual accounts managed separately.

Risk is defined as the level of total market value volatility for the Consolidated Portfolio and any separately managed accounts.

Factors that affect a portfolio's risk level or the total market value volatility include the overall market volatility in the equity and fixed income markets, the asset allocation of the client's portfolio, diversification, and the volatility of the prices of the individual securities in which the portfolio is invested.

The risk assessment process for a client will include an analysis of the client's current financial situation in as much detail as the client will provide. It is Front Street's goal to know the client's full financial position and current and estimated future sources of income and spending.

One objective of this process is to determine the purpose of the investment portfolio and how important it is to the client's present and/or future lifestyle and other financial goals.

Investment Guidelines and Restrictions. An Investment Guidelines and Restriction Agreement must be completed and signed by the client before any investment transactions occur in the client's account(s). This agreement clearly states the risk level that is assumed by the investment program, the asset allocation strategy, and the diversification framework for the equity portion of the portfolio.

Securities Selection. Front Street Investment Management uses a flexible and disciplined approach to security selection that is founded on value-investing principles and independent research. Front Street primarily invests in common stocks, preferred stocks, fixed income securities, and convertible securities of both domestic and foreign companies and governments. We may also invest in Exchange Traded Funds (ETF's), closed-end funds, and mutual funds as part of our investment strategy despite the additional fees. Front Street may also purchase or sell put and call options for hedging and other strategies depending on each client's option use authority as approved by Charles Schwab & Company.

Market Capitalization. We invest our clients' money in companies with market capitalizations of all sizes, from micro-cap to large cap. There may be times when the lack of trading volume for a particular security prevents all client accounts from receiving the planned allocation of shares. This situation frequently occurs for micro-cap and small cap stocks. There is more liquidity risk in micro-cap and small cap stocks. This means that these stocks are more difficult to sell or purchase at the current market prices because of the limited number of shares that are offered for purchase or for sale at any given price. Selling or purchasing these smaller cap stocks can lower or raise the transaction prices during the accumulation of the shares for clients.

Valuation Criteria. We tend to invest in the common stocks or convertible securities of companies whose valuations are on the lower end of historical ranges. The valuation criteria used include price-to-earnings ratio, price-to-cash flow ratio, price-to-sales ratio, price-to-book value ratio, enterprise value-to-EBITDA ratio. Valuation criteria are used to estimate potential returns and downside risk or the potential for a decline in the price of the securities.

Balance Sheet Analysis. We prefer to invest in securities of companies with strong balance sheets (low debt and/or large amounts of cash). If the company's balance sheet is leveraged with debt above industry averages, the company must have strong cash flow to easily service the debt.

We may invest in the stock of a company that we believe is undervalued based on the estimated net asset value of the company, which is the estimated market value of a company's assets minus the estimated value of its liabilities.

Client Portfolio Construction. We believe that the securities that we decide to invest in are appropriate for all of our clients unless noted in the Investment Guidelines and Restrictions Agreement for a particular client. The size of the investment is determined by each client's asset allocation target. A new client's portfolio will only invest in securities already held by Front Street's other clients if it is determined that the prices of those securities are still at attractive levels for new investments. This means that there is a possibility that new clients' portfolios may not hold all of the same stocks other clients' portfolios.

Diversification. We will normally invest in 20 to 30 common stocks for clients' Consolidated Portfolios. A normal position size is considered to be around 3% of the target equity allocation. The target equity allocation is the current equity allocation strategy for each client. No stock holding will be larger than 7% of the target equity allocation. Front Street does reserve the right to not own any stocks or to totally hedge the clients' equity portfolios if it decides stock market conditions warrant such a defensive action.

In addition, we will only invest in those economic sectors or industries that we determine to be undervalued with above average upside potential and limited downside risk. Therefore there may be times when clients' equity portfolios are concentrated in only a few sectors of the market and, possibly, a relatively low number of individual stocks. This investment strategy can produce investment returns for the equity portion of the client's portfolio that can be significantly different (both higher and lower) than the chosen stock market index, especially for time periods of less than a year.

The diversification of the clients' fixed income portfolios are determined by the quality of the securities in which we are investing. Front Street can invest up to 25% of a client's target fixed income portfolio in U.S. government guaranteed securities. For corporate or municipal securities rated AAA to A by Moody's or Standard & Poor's, the maximum initial position size is limited to 15% of the target fixed income portfolio. It is possible that because of distributions in a client account that a fixed income holding could become a larger percent position size and will be deemed by us to still be an appropriate holding size for that account. The higher the percentage of a total portfolio that any one security represents,



the higher the risk to the portfolio's total market value should that security decline in price.

Hedging Strategies. Front Street Investment Management utilizes hedging strategies when we become concerned about the risk of a significant stock or bond market decline. These strategies incorporate the use of index put option contracts and/or the purchase of exchange traded funds (ETF's) that are designed to move in the opposite direction of a certain market index.

It is important to note, while our hedging strategies are designed to reduce risk, they could potentially create losses in a rising market if the individual stocks held in the portfolio perform much worse than the market indices used as the hedge.

Our Aggregation of Orders & Trading

Equity Purchases and Sales. When Front Street decides to invest in a particular stock in a certain position size (percent of the client's targeted equity allocation), we will create a trade ticket for a single client account or a Block Trade Order ticket for multiple client accounts. Following the execution of the trade order, we create an Allocation Statement that lists the client accounts that are to receive the stock and the number of shares to be purchased when purchasing for multiple accounts. At the start of each trading date, the prior day's account allocations are reconciled with the Allocation Statements.

After final block or aggregated order has been completed and allocated to the clients' accounts, the Adviser will run a "Block Trade Verification" report the following day to ensure that every account that was suppose to be allocated the stock with a certain position size did in fact receive it.

When we decide to sell all or adjust a portion of a stock that is held in multiple clients' accounts, a list of account holders is generated to show the account and number of shares to be sold. After the sale of the stock has been completed, the Adviser will check the Security Cross Reference report (if all shares were sold) or the Block Trade Verification report (if only a portion was sold) to check to see that all the shares that should have been sold were sold.

Bond Purchases and Sales. When we decide to purchase fixed income securities for one or more accounts, a trade ticket for a single account or a Block Trade Order Ticket (multiple accounts) is created. The ticket will have the amount (par value) of bonds to be purchased and notes of the type of bond (government, corporate, municipal) maturity, and credit quality. When bonds are found that meet the required parameters and are attractively priced, they are purchased and allocated to the accounts. Front Street uses the bond pricing on Bloomberg as one source in determining a fair price.

When we decide to sell a fixed income security that is held in one or more accounts, a trade ticket for a single account or a Block Trade Order for multiple accounts is created showing the accounts that are selling the bonds. We get at least two bids for the bonds and will take the highest bid if it is determined to be a fair price. We check the bid price with the bond pricing on Bloomberg as well as the price that Schwab is using for that particular security.

Most fixed income trades for client accounts that are large enough to have the ability to use the Prime Broker trade away services at Schwab will be executed with other brokers than Schwab. Schwab does charge a \$25 prime broker fee for the purchases and sales of securities with brokers other than Schwab. We believe that the better bond offers and bids that it normally receives from brokerage firms other than Schwab are worth the fee that is charged.

Risk of Loss

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values or prices to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from the sale or maturity of an investment may have to be reinvested at a potentially lower rate of return (i.e. interest rate) that exist at that future time. This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, securities are more liquid if there are many buyers and sellers and the amount of those particular securities is large. For example, common stocks with a large number of shares outstanding and traded in the stock market every day are more liquid than common stocks with a relatively small number of shares outstanding and traded on a daily basis.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of lower profitability or losses when revenues decline,



because the company must meet the terms of its obligations. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

Disciplinary Information

Legal and Disciplinary

The firm and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

The employees of Front Street Investment have committed to a Code of Ethics that we will provide to clients or prospective clients upon request.

This Code of Ethics is based on the principle that all members and employees of Front Street have a fiduciary duty to place the interest of clients ahead of their own and Front Street's. This Code of Ethics applies to all employees. Employees must avoid activities, interests, and relationships that might interfere with making decisions in the best interests of Front Street's clients.

As fiduciaries, all employees must at all times place the interests of clients first. All employees must scrupulously avoid serving their own personal interests ahead of the interests of Front Street's clients. Employees may not induce or cause a client to take action, or not to take action, for personal benefit, rather than for the benefit of the client. For example, an employee would violate the policy by causing a client to purchase a security he or she owned for the purpose of increasing the price of that security.

Employees of Front Street must also avoid taking inappropriate advantage of their position. The receipt of investment opportunities, perquisites or gifts from persons seeking business with Front Street or its clients, could call into question the exercise of the independent judgment of an employee. Employees may not, for example, use their knowledge of portfolio transactions to profit by the market effect of such transactions.

Lastly, employees of Front Street must conduct all personal securities transactions in full compliance with this Code including reporting requirements. Doubtful situations always should be resolved in favor of the clients. Technically compliance with the Code's provisions shall not automatically insulate from scrutiny any securities transactions or actions that indicate a violation of Front Street's fiduciary duties.



Participation or Interest in Client Transactions

Front Street Investment Management and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades. Employees comply with the provisions of the Front Street Investment Management Written Policies and Procedures.

Personal Trading

The Chief Compliance Officer of Front Street Investment Management is John Gudritz. He reviews all employee trades each quarter. His trades are reviewed by Jason Tank. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment.

The personal trading and investment activities of employees of investment advisory firms are the subject of various federal securities laws and regulations. Underlying these requirements is the fiduciary capacity in which an Adviser like Front Street Investment Management acts for its clients.

A fiduciary has a duty of loyalty to clients. This duty requires an Adviser like Front Street to act in the best interest of clients and always place the clients' interests first and foremost. When Investment Advisory personnel invest for their own accounts, conflicts of interest may arise between the clients' and the employees' (and their immediate families') interests. The conflicts may include:

- Taking an investment opportunity from clients
- Using the advisory position or relationship to take advantage of available investments
- Front running, which may be an employee trading before making client transactions, thereby taking advantage of information or using client portfolio assets to have an effect on the market which is used to the associated persons' benefit.

In an effort to avoid any conflict of interest and help assure that clients are receiving best execution of their trades, all employees of Front Street will refrain from purchasing or selling securities that are currently being purchased or sold in the clients' accounts until after all of the clients trades for those securities have been executed. Because it is difficult to get a time stamp for executed trades it is impossible to document that the employee's trade was executed after the client's trade if it occurred on the same day. Therefore, the employee should normally wait until the following trading day to execute his or her personal trade assuming no client trade in the security in question is being executed that day. If the employee wants to trade in a security the same day that trades have been executed for client accounts, he or she must execute their personal trade at a same or worse price than the average price allocated to the client(s) account(s).

If an employee executes a personal trade earlier in the day and a decision is later made to execute trades in the same security for clients at a worse price, the



employee shall combine his or her personal trade with the client trades to determine the average price for trades in that security if such action is possible.

All employees must obtain approval from John Gudritz or Jason Tank before directly or indirectly acquiring a beneficial ownership of a security in an Initial Public Offering (IPO) or limited offering.

Under the books and records section of the Advisers Act, Front Street Investment Management is required to maintain records of the personal securities transactions of the Firm and employees, the spouses, minor children and members of the households of those members and employees, as well as any securities transactions in which a member or employee may have a direct or indirect beneficial interest.

Specifically, Front Street maintains a written or computerized record of every transaction in a security in which the company or any employee has, or by reason of such transaction, acquires any direct or indirect beneficial ownership. The rules require reporting of all "reportable securities" transactions which are for all securities in which an employee has a beneficial interest except for U.S. Government or agency securities, money market securities and funds, mutual funds and unit investment trusts. These include listed and unlisted securities, private transactions (which include private placements, non-public stock or warrants) and securities that are not held in custody by a third-party brokerage firm (held in certificate form), in these personal reports.

Front Street requires that each employee report on a quarterly basis any personal securities transactions of "reportable securities" defined above for all accounts of the employee and any immediate family members within 10 days of the end of the calendar quarter. This report includes all accounts in which the employee has a direct or indirect beneficial interest and has the power to purchase and sell securities or to direct or influence security transactions within those accounts. Such records state the title and amount of the involved securities, the date and nature of the transaction (buy/sell or other), the price at which it was affected, and name of the broker/dealer utilized.

Each employee must also report any accounts opened or closed over which he or she has any interest and control including accounts for him or her and immediate family members.

The reportable transactions and/or accounts opened or closed for each account will be attached to the Quarterly Report of Personal Securities Transactions form that is provided by the Compliance Officer following the end of a calendar quarter. The form should be filled out and signed by each employee each quarter even if there are no transactions to report.

Each new employee will provide the Compliance Officer with a most recent copy of the custodial statement for each account he or she has a direct or indirect beneficial interest in within 10 days of becoming an employee.

Each employee will provide the Compliance Officer within 30 days of the end of the calendar year a copy of the year-end custodial statement for each account that he or she has a direct or indirect beneficial interest.

Brokerage Practices

Selecting Brokerage Firms

Front Street Investment Management does not have any affiliation with product sales or brokerage firms. Specific custodian recommendations are made to our clients based on their need for such services and our opinion of the quality of the services provided by the custodian. Front Street recommends custodians based on the proven integrity and financial responsibility of the firm and the best execution of orders at reasonable commission rates.

At this time, Front Street Investment Management recommends the discount brokerage firm, Charles Schwab & Company, as the custodian for all of its clients. We review the appropriateness of our recommendation on an annual basis.

Front Street Investment Management does not receive fees or commissions from Charles Schwab & Company or any other custodian.

Best Execution

Front Street Investment Management is obligated, as a fiduciary, to provide the best possible execution of securities transactions for clients under the circumstances of the particular transaction.

We must execute securities transactions for clients in such a manner that the clients' total costs or proceeds in each transaction are the most favorable under the circumstances. Typically, in order to achieve best execution, we may bunch or block client orders as previously discussed.

We consider the full range and quality of a broker's services in recommending brokerage services, including, but not limited to the value of research provided as well as execution capability, commission rate, the ability to negotiate commissions, the ability to obtain volume discounts, financial responsibility, and responsiveness to us and our clients. The determinative factor is not the lowest commission cost but whether the transaction represents the best qualitative execution for the managed account.

Front Street Investment Management will monitor the execution of trades and settlements of the selected brokerage firms on an ongoing basis. Any problems with trade executions and/or settlements will be noted in a written report and sent to the Chief Compliance Officer (CCO), John Gudritz, who maintains files on each brokerage account.

Annually, the Chief Compliance Officer will review the broker files and ask all employees with trading responsibilities to turn in a written evaluation for each broker who has been used in the prior year to execute trades. The evaluation will include a description of the broker's trade execution capabilities, responsiveness to our trader, reasons for using the broker, and other products or

services provided by the broker's firm and an opinion as to whether or not the broker's services should be retained for the coming year.

The CCO will also be responsible for reviewing brokerage commission rates and costs on an annual basis to ensure that they are still competitive within the brokerage industry.

Soft Dollars

Front Street Investment Management does not participate in any soft dollar programs in which trading commissions from clients' accounts are used by Front Street to pay for equipment, research or other services. Soft dollar programs can be described as a way to direct trading activity to specific firms in exchange for an indirect form of compensation. The indirect nature of the compensation is the reason it is referred to as "soft" as opposed to cold, hard dollars.

Review of Accounts

Periodic Reviews

While clients' portfolios are reviewed several times a month by John Gudritz and/or Jason Tank as part of the on-going investment process, Front Street Investment Management will formally review every client's Consolidated Portfolio and any separately managed portfolios at the end of every calendar quarter to ensure that the portfolios are being managed according to each client's Investment Guidelines and Restrictions Agreement and our current investment strategy. The asset allocation will be checked as well as the diversification and security position sizes. The pricing of securities will be reviewed to try to identify any pricing errors. The investment performance on the Portfolio Summary report will be analyzed to look for material deviations from the average client returns. The review process for all client accounts will be documented with a Restrictions Verification report signed and dated by Jason Tank or John Gudritz.

Client Account Statements

Front Street Investment Management provides its clients with Internet access daily statements of portfolio holdings, transaction history, and performance history on a secure password protected website provided by a service called ClientView. A quarterly report that includes portfolio holdings, transactions for the quarter, performance history since inception, realized year-to-date capital gains report for taxable accounts and the Statement of Management Fees are also posted on this website. Clients can request to receive their quarterly statements from Front Street by regular mail. These statements are generated using Advent Axys accounting and portfolio management software.

Client Referrals and Other Compensation

Incoming Referrals

Front Street Investment Management has been fortunate to receive many client referrals over the years. The referrals came from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other similar sources. The firm does not compensate referring parties for these referrals.

Referrals Out

Front Street Investment Management does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

Custody

Account Statements

All assets are held at Charles Schwab & Company, a qualified custodian. Schwab provides account statements directly to clients at their address of record or online at a password protected website on a monthly basis.

Report Comparisons

Clients are urged to compare the account statements received directly from their custodians like Charles Schwab & Company to the Portfolio Holdings quarterly statements provided by Front Street Investment Management.

Investment Discretion

Discretionary Authority for Trading

Front Street Investment Management accepts discretionary authority to manage securities accounts on behalf of clients. Front Street has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold.

The client approves the custodian to be used and the commission rates paid to the custodian. Front Street does not receive any portion of the transaction fees or commissions paid by the client to the custodian on any trades.

Discretionary trading authority facilitates placing trades in your accounts on your behalf so that we may promptly implement the investment policy that you have approved in writing.

Limited Power of Attorney

A limited power of attorney is a trading authorization for this purpose. You sign a limited power of attorney so that we may execute the trades that you have approved.

Voting Client Securities

Proxy Votes

Unless the client designates otherwise, Front Street Investment Management votes proxies for securities over which it maintains discretionary authority consistent with its proxy voting policy. In accordance with SEC Rule 206(4)-6, Front Street has established the following policies and procedures:

Front Street Investment Management will vote proxies in the best interest of the clients. We will consider only those factors that affect the economic value of the client(s)'s investments and will vote based solely on the ultimate economic interest of the client(s), taking into account the period over which the client(s) expects to hold such shares. We will not be unduly influenced by any representative of management or any outside group.

The actual voting of proxy statements by Front Street Investment Management will be conducted by John Gudritz or Jason Tank, members of the firm's investment team. Proxies will only be voted for those securities that are still held in any client account on the day the voting is to take place. All corporate proxy statements will be reviewed on an individual basis in determining the voting policy. In general, it is the intention to vote in accordance with management's recommendations on the following types of management proposals:

Election of directors when there is not an opposition slate

Ratification of Appointment of Auditors

Amendments pertaining to employee stock option or plans or awards, when such plans or awards do not constitute more than 2% of all outstanding stock;
Amendments pertaining to employee stock purchase plans if the purchase discount is 15% or less.

In regard to shareholder resolutions, Front Street Investment Management will examine each issue solely from an economic perspective. It is not Front Street Investment Management's function to vote proxy statements from an ethical, social, or moral, perspective or to gauge corporate responsibility. It is, therefore,

the general policy to vote with management in opposition to shareholder resolutions which could negatively impact the corporation's ability to do business.

Lastly, because Front Street Investment Management acts to enhance the economic interest of the client(s)'s portfolio(s) and promote good corporate governance, we will generally support the following initiatives concerning the maximization of shareholder value:

Against management sheltering "poison pills" that effectively lower the value of shares;

Against the payment of "greenmail";

Against staggered terms for the board of directors;

Against proposals calling for the re-pricing of past options;

For qualified dissident candidates for seats on the board when the entrenched directors have clearly not enhanced shareholder value;

For cumulative voting policies in electing the board of directors;

For confidential voting in electing the board of directors;

For amendments to the certificate of incorporation regarding the issuance of new authorized capital stock;

For separating the Chairman and the CEO position;

It will be Front Street Investment Management's policy to scrutinize these types of resolutions on an individual basis, taking into consideration current management's record in producing shareholder value.

It is the policy of Front Street Investment Management that in all instances where a material conflict of interest between the Firm and the client arises with regard to our proxy voting policy, our proxy voting will favor our clients' best interest.

In the capacity of fiduciary, Front Street Investment Management accepts responsibility to maintain accurate records on the voting of proxies. For each holding in the client's portfolio, our firm will maintain a file with records of how the proxy statement was voted. Any vote not covered under this policy of a vote against management will be explained in writing. Files will also include a master list of the client accounts owning a particular security, to identify whether the proper proxy material has been received. Our firm will utilize these written guidelines to govern the voting of the proxies and will amend them as deemed necessary.

All proxy voting records for our clients are available for their review upon a request from the client.

Shareholder Class Action Lawsuits

Client Responsibility

Front Street Investment Management is not responsible for deciding or acting on whether or not clients should participate in shareholder class action lawsuits. Each client is solely responsible for making that decision for his or her own investment account and for filling out and submitting the required forms and any other documentation.

Should a client choose to participate in a lawsuit, the firm will help, at the client's requests, to facilitate the documentation process by providing the client security trading and certain other information for those securities that were purchased for the client by Front Street Investment Management.

Front Street Investment Management reserves the right to advise clients to participate or not participate in certain shareholder lawsuit settlements when that advice is requested by the clients for securities that were purchased by Front Street for the benefit of the client. That decision will primarily be based on the expected settlement amount to shareholders.

Financial Information

Financial Condition

Front Street Investment Management does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

A balance sheet is not required to be provided to clients or prospective clients because Front Street Investment Management does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1,200 per client six months or more in advance.

Business Continuity Plan

General

Front Street Investment Management has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space and/or communications.

Disasters

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, communications line outage, and Internet outage. Electronic files are backed up daily and archived offsite.

Alternate Offices

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within one day of a disaster that dictates moving our office to an alternate location.

Information Security Program

Information Security

Front Street Investment Management maintains information security procedures to reduce the risk that your personal and confidential information may be breached.

Privacy Notice

At Front Street Investment Management, we strongly believe in ensuring the confidentiality and security of any personal information that is entrusted to us.

The information that we collect in the normal course of our business includes physical and email addresses, Social Security and tax ID numbers, and driver's license numbers. In addition, we will normally obtain personal financial information from the financial review or plan that we do to develop the investment management strategy.

We do not and will not sell your personal information to anyone.

All current and former clients' information is handled in a confidential manner and our employees will provide information to third parties only after you provide permission to do so. This includes information that you want us to share with your other advisors, such as, attorneys, accountants or other investment professionals.

We do share your personal information with companies that the client hires to perform custodial and trading services. We strongly suggest that all clients change, at least quarterly, their passwords used for your custodian's website such as www.schwaballiance.com.



We maintain a secure office to ensure that our clients' information is not placed at unreasonable risk, including locked filing cabinets and password protected computers.

We do not provide personal information to mailing list vendors or solicitors. We require strict confidentiality in our agreements with unaffiliated third parties that require access to personal information, including our customer relationship management service provider. Federal and state securities regulators may review our company records and personal records as permitted by law.

Personally identifiable information about you will be maintained while you are a client, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

We will notify you in advance if our privacy policy is expected to change. We are required by law to deliver this *Privacy Notice* to you annually, in writing.





FRONT STREET

INVESTMENT MANAGEMENT

Brochure Supplement (Part 2B of Form ADV)

March 31, 2012

This brochure provides information about the qualifications and business practices of Front Street Investment Management LLC. If you have any questions about the contents of this brochure, please contact us at (231) 947-3775 or info@frontstreet.com.

The information in this brochure supplement has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Front Street Investment Management LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

Front Street Investment Management LLC
310 W. Front Street, Suite 411
Traverse City, MI 49684
www.frontstreet.com

Ph: (231) 947-3775
Ph: (866) 933-7668 (toll-free)
Fx: (231) 947-3799
info@frontstreet.com



Brochure Supplement (Part 2B of Form ADV)

Education and Business Standards

Front Street Investment Management requires that advisors in its employ have a bachelor's degree and further coursework demonstrating knowledge of investment management and/or financial planning. Examples of acceptable coursework include: a CFA, a CFP®, or CPA. Additionally, advisors must have enough work experience that demonstrates their aptitude for investment management and/or financial planning.

Professional Certifications

Employees have earned certifications and credentials that are required to be explained in further detail.

The Chartered Financial Analyst (CFA) charter is a globally respected, graduate-level investment credential established in 1962 and awarded by CFA Institute — the largest global association of investment professionals.

There are currently more than 90,000 CFA charter holders working in 135 countries. To earn the CFA charter, candidates must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

High Ethical Standards

The CFA Institute Code of Ethics and Standards of Professional Conduct, enforced through an active professional conduct program, require CFA charter holders to:

- Place their clients' interests ahead of their own
- Maintain independence and objectivity
- Act with integrity
- Maintain and improve their professional competence
- Disclose conflicts of interest and legal matters

Global Recognition

Passing the three CFA exams is a difficult feat that requires extensive study (successful candidates report spending an average of 300 hours of study per level). Earning the CFA charter demonstrates mastery of many of the advanced

skills needed for investment analysis and decision making in today's quickly evolving global financial industry. As a result, employers and clients are increasingly seeking CFA charter holders—often making the charter a prerequisite for employment.

Additionally, regulatory bodies in 19 countries recognize the CFA charter as a proxy for meeting certain licensing requirements, and more than 125 colleges and universities around the world have incorporated a majority of the CFA Program curriculum into their own finance courses.

Comprehensive and Current Knowledge

The CFA Program curriculum provides a comprehensive framework of knowledge for investment decision making and is firmly grounded in the knowledge and skills used every day in the investment profession. The three levels of the CFA Program test a proficiency with a wide range of fundamental and advanced investment topics, including ethical and professional standards, fixed-income and equity analysis, alternative and derivative investments, economics, financial reporting standards, portfolio management, and wealth planning.

The CFA Program curriculum is updated every year by experts from around the world to ensure that candidates learn the most relevant and practical new tools, ideas, and investment and wealth management skills to reflect the dynamic and complex nature of the profession.

To learn more about the CFA charter, visit www.cfainstitute.org.

Jason P. Tank, CFA, Principal and Managing Member

- Date of birth: June 7, 1972

Education Background:

- Michigan State University, BS in Mathematics, 1990 - 1994
- Earned the Associate of Society of Actuaries (ASA), 1999
- Earned the Chartered Financial Analyst (CFA) designation, 2000

Business Experience:

- Prior to starting Front Street Investment Management in 2003 Jason was an actuary with Allianz Life Insurance from 1994 until 1998 and ReliaStar Financial Corp from 1998 until 1999. After that Jason joined Financial and Investment Management Group, Ltd. where he was a portfolio manager from 1999 until 2003.

Other Business Activities: None

Additional Compensation: None



Arbitration Claims: None

Self-Regulatory Organization or Administrative Proceeding: None

Bankruptcy Petition: None

Jason Tank's contact information: (231) 947-3775 or jason@frontstreet.com

John W. Gudritz, CFA, Principal and Chief Compliance Officer

- Date of birth: August 24, 1953

Education Background:

- Denison University, BS Degree in Economics, 1971 - 1975
- Michigan State University, MBA degree in Finance, 1976 – 1978
- Earned the Chartered Financial Analyst (CFA) designation, 1986

Business Experience:

- Prior to starting Front Street Investment Management in 2003, John was a Partner and Principal of AMBS Investment Counsel, LLC, an investment advisory firm in Grand Rapids Michigan, from 1989 until 2003. Prior to that, John was a Senior Investment Officer and Portfolio Manager for Barnett Banks Trust Company in Florida from 1984 until 1989. He began his investment career as a fixed income portfolio manager with First of America Bank in Kalamazoo, Michigan from 1982 until 1984.
- John's business experience also includes corporate lending at Old Kent Bank & Trust in Grand Rapids, Michigan from 1980 until 1982. His first position after graduating from MSU was as a marketing and financial analyst with Burroughs Corporation in Detroit, Michigan from 1978 until 1980.

Other Business Activities: None

Additional Compensation: None

Arbitration Claims: None

Self-Regulatory Organization or Administrative Proceeding: None

Bankruptcy Petition: None

John Gudritz's contact information: (231) 947-3775 or john@frontstreet.com