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FRONT STREET STRATEGIC YIELD FUND LTD.  
Press Release - June 1, 2010

## FOR IMMEDIATE RELEASE

### FRONT STREET STRATEGIC YIELD FUND LTD. CLOSES \$70 MILLION INITIAL PUBLIC OFFERING

(Toronto, ON, June 1, 2010) (FSS.A) – Front Street Strategic Yield Fund Ltd. is pleased to announce the closing of its initial public offering of 7,000,000 Units at a price of \$10.00 per Unit for gross proceeds of \$70 million. Each Unit consists of one non-voting equity share of the Fund (each an “Equity Share”) and one transferable warrant. The Fund has granted the agents an over-allotment option exercisable in whole or in part for a period of 30 days following the closing of the Offering to acquire up to an additional 1,050,000 Units.

The Fund’s investment objective are to: (i) provide holders of Equity Shares with quarterly tax-advantaged cash distributions initially targeted to be \$0.125 per Equity Share (\$0.50 per annum representing an annual cash distribution of 5% based on the \$10.00 per Unit issue price); and (ii) maximize risk adjusted returns to holders of Equity Shares, consisting primarily of tax-advantaged distributions, while preserving capital.

The Fund will obtain economic exposure to a portfolio which is focused primarily on convertible debentures and warrants of Canadian issuers and to a lesser extent on merger arbitrage. The portfolio will be actively managed by Flatiron Capital Management Partners using interest yielding and hedging strategies designed to maximize risk adjusted returns and preserve capital. Over the course of an economic cycle, the goal is to generate consistent tax advantaged absolute returns on a quarterly basis with low volatility.

The Fund is managed by Front Street Capital 2004 and advised by Flatiron Capital Management Partners. The Units of the Fund are listed on the Toronto Stock Exchange under the symbol FSS.A.

The syndicate of agents for the offering was led by RBC Capital Markets and included CIBC World Markets Inc., BMO Capital Markets Inc., National Bank Financial Inc., Scotia Capital Inc., TD Securities Inc., Canaccord Genuity Corp., Desjardins Securities Inc., GMP Securities L.P., HSBC Securities (Canada) Inc., Raymond James Ltd., Dundee Securities Corporation, Macquarie Capital Markets Canada Ltd., Tuscarora Capital Inc. and Wellington West Capital Markets Inc.

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