



FOR IMMEDIATE RELEASE

**FRONT STREET STRATEGIC YIELD FUND LTD.
CLOSES OVER-ALLOTMENT**

NOT FOR DISTRIBUTION IN THE UNITED STATES OR OVER U.S. WIRE SERVICES

(Toronto, ON, June 29, 2010) (TSX: FSS, FSS.WT) – Front Street Strategic Yield Fund Ltd. is pleased to announce that it has completed the issuance of an additional 120,000 Units for gross proceeds of \$1.2 million. This issuance was pursuant to the exercise of the over-allotment option granted to the agents in connection with the Fund’s recently completed initial public offering. With the exercise of the over-allotment option, the total gross proceeds raised by the Fund are \$71.2 million.

The Units issued at closing, together with the Units issued pursuant to the over-allotment option, have separated into Equity Shares and Warrants and now trade on the Toronto Stock Exchange separately under the symbols: FSS and FSS.WT, respectively. The Fund has issued an aggregate of 7,120,000 Equity Shares and Warrants. Each Warrant entitles the holder to purchase one Equity Share at a subscription price of \$10.00 on or before 5:00 p.m. (Toronto time) on June 30, 2011 (the “Expiry Date”). Warrants not exercised by 5:00 p.m. (Toronto time) on the Expiry Date will be void and of no value.

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 syndicate of agents for the offering was led by RBC Capital Markets and included CIBC World Markets Inc., BMO Capital Markets, 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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