

**FRONT STREET GROWTH FUND**  
**(Formerly Front Street Small Cap Canadian Fund)**

**Interim Financial Statements**  
**(Unaudited)**

**For the six months ended June 30, 2010**

**NOTICE OF NO AUDITOR REVIEW OF THE INTERIM FINANCIAL STATEMENTS**

The accompanying interim financial statements have not been reviewed by the external auditors of the Fund in accordance with standards established by the Canadian Institute of Chartered Accountants. The external auditors will be auditing the annual financial statements of the Fund for the year ending December 31, 2010, in accordance with Canadian generally accepted auditing standards.

**FRONT STREET GROWTH FUND**  
**(Formerly Front Street Small Cap Canadian Fund)**

**STATEMENTS OF NET ASSETS**  
**AS AT JUNE 30, 2010 (UNAUDITED) AND DECEMBER 31, 2009**

|  | 2010                  | 2009                  |
|--|-----------------------|-----------------------|
| <b>ASSETS</b>  |                       |                       |
| Investments, at fair value ( cost - \$215,402,743: 2009 - \$188,602,273) | \$ 237,808,741        | \$ 237,195,040        |
| Accounts receivable relating to assets sold                              | 9,419,025             | 73,127                |
| Cash and cash equivalents  | 3,560,576             | 3,516,713             |
| Accounts receivable relating to units issued                             | 720,040               | 1,032,612             |
| Accounts receivable relating to accrued income                           | 210,986               | 162,616               |
|  | <u>\$ 251,719,368</u> | <u>\$ 241,980,108</u> |
| <b>LIABILITIES</b>   |                       |                       |
| Obligations from portfolio assets sold short, at fair value              | \$ 4,625,870          | \$ 539,980            |
| Accounts payable relating to units redeemed                              | 1,362,916             | 485,837               |
| Accrued expenses   | 747,775               | 663,318               |
| Futures contracts, at fair value, note 11                                | —                     | 39,568                |
|  | <u>6,736,561</u>      | <u>1,728,703</u>      |
| <b>Net assets representing unitholders' equity</b>                       | <u>\$ 244,982,807</u> | <u>\$ 240,251,405</u> |
| <b>Net assets applicable to outstanding units allocated as follows:</b>  |                       |                       |
| Net assets, Series A   | \$ 89,655,925         | \$ 87,824,544         |
| Units outstanding, Series A, note 3                                      | 13,021,740            | 12,580,413            |
| Net assets per unit, Series A  | <u>\$ 6.89</u>        | <u>\$ 6.98</u>        |
| Net assets, Series B   | \$ 130,542,564        | \$ 128,640,300        |
| Units outstanding, Series B, note 3                                      | 18,960,328            | 18,426,847            |
| Net assets per unit, Series B  | <u>\$ 6.89</u>        | <u>\$ 6.98</u>        |
| Net assets, Series F   | \$ 24,784,318         | \$ 23,786,561         |
| Units outstanding, Series F, note 3                                      | 3,478,149             | 3,289,636             |
| Net assets per unit, Series F  | <u>\$ 7.13</u>        | <u>\$ 7.23</u>        |

**Approved on behalf of Front Street Capital 2004, The Manager:**



Gary P. Selke  
Management Committee Member



Normand G. Lamarche  
Management Committee Member

See accompanying notes to the financial statements

**FRONT STREET GROWTH FUND**  
**(Formerly Front Street Small Cap Canadian Fund)**

**STATEMENT OF OPERATIONS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2010**

|   | <b>2010</b>           | <b>2009</b>          |
|---|-----------------------|----------------------|
| <b>Investment income</b>  |                       |                      |
| Dividends   | \$ 848,844            | \$ 5,398             |
| Interest  | 58,204                | 577,113              |
| Less: foreign withholding taxes   | <u>(9,538)</u>        | <u>(2,822)</u>       |
|   | <u>897,510</u>        | <u>579,689</u>       |
| <b>Expenses</b>   |                       |                      |
| Management fees, note 4   | 2,744,966             | 1,219,336            |
| Administration fees   | 293,328               | 173,218              |
| Custodial fees  | 29,393                | —                    |
| Unitholder reporting costs  | 20,420                | 14,877               |
| Audit fees  | 19,340                | 23,500               |
| Legal fees  | 14,876                | 14,877               |
| Independent review committee  | 11,735                | 13,436               |
| Performance fees, note 4  | —                     | —                    |
| Trustees' fees  | <u>4,959</u>          | <u>4,959</u>         |
|   | <u>3,139,017</u>      | <u>1,464,203</u>     |
| <b>Net investment loss for the period</b>   | <u>(2,241,507)</u>    | <u>(884,514)</u>     |
| <b>Realized and unrealized gains (losses) on investments</b>  |                       |                      |
| Net realized gain (loss) on sale of investments   | 24,252,481            | (4,189,367)          |
| Loss from derivatives   | (313,042)             | (101,089)            |
| Transaction costs, note 5   | (341,119)             | (230,105)            |
| Change in the unrealized appreciation (depreciation) of the value of investments                        | <u>(25,614,350)</u>   | <u>52,652,711</u>    |
| <b>Net gain (loss) on investments for the period</b>  | <u>(2,016,030)</u>    | <u>48,132,150</u>    |
| <b>Net increase (decrease) in net assets from operations for the period</b>                             | <u>\$ (4,257,537)</u> | <u>\$ 47,247,636</u> |
| Increase (decrease) in net assets from operations applicable to outstanding units allocated as follows: |                       |                      |
| Increase (decrease) in net assets from operations, Series A   | \$ (1,415,538)        | \$ 18,553,066        |
| Increase (decrease) in net assets from operations per unit, Series A                                    | <u>\$ (0.11)</u>      | <u>\$ 1.48</u>       |
| Increase (decrease) in net assets from operations, Series B   | \$ (2,378,385)        | \$ 26,354,822        |
| Increase (decrease) in net assets from operations per unit, Series B                                    | <u>\$ (0.12)</u>      | <u>\$ 1.50</u>       |
| Increase (decrease) in net assets from operations, Series F   | \$ (463,614)          | \$ 2,339,748         |
| Increase (decrease) in net assets from operations per unit, Series F                                    | <u>\$ (0.13)</u>      | <u>\$ 1.52</u>       |

See accompanying notes to the financial statements

**FRONT STREET GROWTH FUND**  
**(Formerly Front Street Small Cap Canadian Fund)**

**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2010**

|  | 2010                         | 2009                        |
|--|------------------------------|-----------------------------|
| <b>Series A</b>                            |                              |                             |
| Net assets, beginning of period            | \$ 87,824,544                | \$ 38,498,224               |
| Net increase in net assets from operations | <u>(1,415,538)</u>           | <u>18,553,066</u>           |
| <b>Unitholder transactions</b>             |                              |                             |
| Capital contributions                      | 15,421,355                   | 3,901,211                   |
| Redemptions                                | <u>(12,174,436)</u>          | <u>(3,562,062)</u>          |
|  | <u>3,246,919</u>             | <u>339,149</u>              |
| Net increase in net assets for the period  | <u>1,831,381</u>             | <u>18,892,215</u>           |
| Net assets, end of period                  | <u><u>\$ 89,655,925</u></u>  | <u><u>\$ 57,390,439</u></u> |
| <b>Series B</b>                            |                              |                             |
| Net assets, beginning of period            | \$ 128,640,300               | \$ 52,691,762               |
| Net increase in net assets from operations | <u>(2,378,385)</u>           | <u>26,354,822</u>           |
| <b>Unitholder transactions</b>             |                              |                             |
| Capital contributions                      | 23,342,291                   | 9,850,299                   |
| Redemptions                                | <u>(19,061,642)</u>          | <u>(6,438,709)</u>          |
|  | <u>4,280,649</u>             | <u>3,411,590</u>            |
| Net increase in net assets for the period  | <u>1,902,264</u>             | <u>29,766,412</u>           |
| Net assets, end of period                  | <u><u>\$ 130,542,564</u></u> | <u><u>\$ 82,458,174</u></u> |

**FRONT STREET GROWTH FUND**  
**(Formerly Front Street Small Cap Canadian Fund)**

**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2010**

|   | <b>2010</b>           | <b>2009</b>           |
|---|-----------------------|-----------------------|
| <b>Series F</b>                                   |                       |                       |
| <b>Net assets, beginning of period</b>            | \$ <u>23,786,561</u>  | \$ <u>4,669,218</u>   |
| <b>Net increase in net assets from operations</b> | <u>(463,614)</u>      | <u>2,339,748</u>      |
| <b>Unitholder transactions</b>                    |                       |                       |
| Capital contributions                             | 3,781,857             | 1,557,049             |
| Redemptions                                       | <u>(2,320,486)</u>    | <u>(1,243,188)</u>    |
|   | <u>1,461,371</u>      | <u>313,861</u>        |
| <b>Net increase in net assets for the period</b>  | <u>997,757</u>        | <u>2,653,609</u>      |
| <b>Net assets, end of period</b>                  | <u>\$ 24,784,318</u>  | <u>\$ 7,322,827</u>   |
| <b>Total</b>                                      |                       |                       |
| <b>Net assets, beginning of period</b>            | \$ <u>240,251,405</u> | \$ <u>95,859,204</u>  |
| <b>Net increase in net assets from operations</b> | <u>(4,257,537)</u>    | <u>47,247,636</u>     |
| <b>Unitholder transactions</b>                    |                       |                       |
| Capital contributions                             | 42,545,503            | 15,308,559            |
| Redemptions                                       | <u>(33,556,564)</u>   | <u>(11,243,959)</u>   |
|   | <u>8,988,939</u>      | <u>4,064,600</u>      |
| <b>Net increase in net assets for the period</b>  | <u>4,731,402</u>      | <u>51,312,236</u>     |
| <b>Net assets, end of period</b>                  | <u>\$ 244,982,807</u> | <u>\$ 147,171,440</u> |

See accompanying notes to the financial statements

**FRONT STREET GROWTH FUND**  
**STATEMENT OF INVESTMENT PORTFOLIO**  
**AS AT JUNE 30, 2010**

|  | Number of<br>Shares/<br>Units |    | Cost<br>\$  |    | Market<br>Value<br>\$ |
|--|-------------------------------|----|-------------|----|-----------------------|
| <b>Long positions ( 97.1% )</b>                            |                               |    |             |    |                       |
| <b>Domestic (93.0% )</b>                                   |                               |    |             |    |                       |
| <b>Energy (55.3% )</b>                                     |                               |    |             |    |                       |
| Athabasca Oil Sands Corporation                            | 807,402                       | \$ | 11,079,436  | \$ | 8,889,496             |
| Bankers Petroleum Limited                                  | 2,701,366                     |    | 7,140,751   |    | 18,882,548            |
| Bankers Petroleum Limited Warrants                         | 250,000                       |    | 300,000     |    | 1,247,500             |
| Baytex Energy Trust  | 236,050                       |    | 4,785,526   |    | 7,506,390             |
| Cirrus Energy Corporation                                  | 492,417                       |    | 1,480,975   |    | 369,313               |
| Crew Energy Inc.   | 1,104,926                     |    | 10,372,988  |    | 16,618,087            |
| Dolomite Energy Inc.                                       | 1,300,000                     |    | 559,500     |    | 561,600               |
| Gas-Frac Energy Services Inc.                              | 1,000,000                     |    | 5,000,000   |    | 5,000,000             |
| Gas-Frac Energy Services Inc.                              | 300,000                       |    | 960,500     |    | 1,500,000             |
| Flint Energy Services Limited                              | 421,415                       |    | 4,398,755   |    | 5,002,196             |
| Laricina Energy Limited                                    | 676,000                       |    | 10,215,000  |    | 16,900,000            |
| Mahalo Energy Limited                                      | 1,984,600                     |    | 699,572     |    | 9,923                 |
| Petrobank Energy and Resources Limited                     | 220,095                       |    | 9,902,549   |    | 8,242,558             |
| Petrolifera Petroleum Limited                              | 11,196,703                    |    | 10,089,634  |    | 7,277,857             |
| Petrolifera Petroleum Ltd. Warrants                        | 3,875,000                     |    | —           |    | 697,500               |
| Petrodex Inc. Special Warrants                             | 3,750,000                     |    | 759,375     |    | 187,500               |
| Phoenix Technology Income Fund                             | 1,282,717                     |    | 10,507,945  |    | 10,761,996            |
| Pristine Power Inc.  | 2,767,000                     |    | 10,591,405  |    | 4,842,250             |
| Pristine Power Inc. Warrants                               | 133,500                       |    | 49,395      |    | 12,015                |
| Ram Power Corporation                                      | 1,858,500                     |    | 5,575,500   |    | 4,478,985             |
| Shamara Capital Inc.                                       | 9,784,892                     |    | 6,932,049   |    | 3,718,259             |
| Trican Well Service Limited                                | 578,430                       |    | 8,562,579   |    | 7,878,217             |
| Wild Stream Exploration Inc.                               | 885,000                       |    | 4,380,750   |    | 5,000,250             |
|  |                               |    | 124,344,184 |    | 135,584,440           |
| <b>Materials (32.3%)</b>                                   |                               |    |             |    |                       |
| Capstone Mining Corporation                                | 1,511,789                     | \$ | 4,461,934   | \$ | 3,250,346             |
| Compass Petroleum Limited                                  | 238,000                       |    | 274,200     |    | 252,280               |
| Conifex Timber Inc.  | 279,989                       |    | 2,309,909   |    | 2,284,710             |
| East Asia Minerals Corporation                             | 1,223,500                     |    | 306,181     |    | 7,622,405             |
| Franco-Nevada Corporation                                  | 180,000                       |    | 2,734,800   |    | 5,832,000             |
| Genco Resources Limited                                    | 500,000                       |    | 210,250     |    | 172,500               |
| Golden Predator Corporation                                | 2,250,000                     |    | 1,260,000   |    | 1,215,000             |
| Golden Predator Royalty & Development Corporation Warrants | 1,500,000                     |    | —           |    | 175,521               |
| Lithium Americas Corporation                               | 2,118,167                     |    | 3,729,836   |    | 2,690,072             |
| Lithium Americas Corporation Restricted                    | 166,666                       |    | 293,479     |    | 197,399               |
| Lithium Americas Corporation Restricted                    | 166,667                       |    | 293,480     |    | 201,600               |
| Lithium Americas Corporation Restricted                    | 166,667                       |    | 293,480     |    | 205,800               |
| Lithium Americas Corporation Warrants                      | 333,333                       |    | —           |    | —                     |
| Lundin Mining Corporation                                  | 3,953,516                     |    | 17,622,802  |    | 11,900,084            |
| Mansfield Minerals Inc.                                    | 759,500                       |    | 235,445     |    | 1,139,250             |
| Osisko Mining Corporation                                  | 250,000                       |    | 1,107,500   |    | 2,865,000             |
| Pacific Rubiales Energy Corporation                        | 528,351                       |    | 3,546,702   |    | 12,606,455            |
| Peregrine Diamonds Limited                                 | 1,078,561                     |    | 671,000.00  |    | 2,060,052             |

**FRONT STREET GROWTH FUND**  
**STATEMENT OF INVESTMENT PORTFOLIO**  
**AS AT JUNE 30, 2010**

|  | Number of<br>Shares/<br>Units | Cost<br>\$            | Market<br>Value<br>\$ |
|--|-------------------------------|-----------------------|-----------------------|
| <b>Materials (32.3%) (continued)</b>             |                               |                       |                       |
| Peregrine Diamonds Limited Warrants              | 98,647                        | \$ —                  | \$ 57,761             |
| Quadra FNX Mining Limited                        | 318,072                       | 4,542,068             | 3,094,841             |
| Sherritt International Corporation               | 945,989                       | 6,556,452             | 5,411,057             |
| Silver Wheaton Corporation                       | 397,420                       | 3,121,021             | 8,476,969             |
| Uranium Participation Corporation                | 550,000                       | 5,323,173             | 3,102,000             |
| Xinergy Limited                                  | 1,766,428                     | 5,252,551             | 4,239,427             |
|  |                               | <u>64,146,263</u>     | <u>79,052,529</u>     |
| <b>Industrial (1.0%)</b>                         |                               |                       |                       |
| Northwest Upgrading                              | 1,825,000                     | \$ 4,000,000          | \$ 1,825,000          |
| Northwest Upgrading                              | 547,500                       | 139,613               | 547,500               |
|  |                               | <u>4,139,613</u>      | <u>2,372,500</u>      |
| <b>Corporate Bonds (1.4%)</b>                    |                               |                       |                       |
| First Uranium Corporation, 7.00%, March 31, 2013 | 3,400,000                     | \$ 3,400,000          | \$ 3,400,000          |
|  |                               | <u>3,400,000</u>      | <u>3,400,000</u>      |
| <b>Financials Services (2.8%)</b>                |                               |                       |                       |
| GMP Capital Inc.                                 | 225,000                       | \$ 1,367,172          | \$ 2,092,500          |
| Gluskin Sheff + Associates Inc.                  | 75,000                        | 1,387,500             | 1,275,000             |
| Whitecap Resources Inc.                          | 900,000                       | 1,800,000             | 3,598,560             |
|  |                               | <u>4,554,672</u>      | <u>6,966,060</u>      |
| <b>Utilities (0.2%)</b>                          |                               |                       |                       |
| Trilliant Inc.                                   | 671,939                       | \$ 488,570            | \$ 403,163            |
|  |                               | <u>488,570</u>        | <u>403,163</u>        |
| <b>Total Domestic</b>                            |                               | <u>\$ 201,073,302</u> | <u>\$ 227,778,692</u> |
| <b>Global (4.1%)</b>                             |                               |                       |                       |
| <b>Australia (3.0%)</b>                          |                               |                       |                       |
| Western Areas NL                                 | 1,958,496                     | \$ 10,069,882         | \$ 6,365,112          |
| Western Areas NL                                 | 299,400                       | 1,621,672             | 1,014,742             |
|  |                               | <u>11,691,554</u>     | <u>7,379,854</u>      |
| <b>Brizail (1.1%)</b>                            |                               |                       |                       |
| HRT Participacoes Em Petroleo                    | 1,770                         | \$ 2,637,887          | \$ 2,650,195          |
| HRT Participacoes Em Petroleo Warrants           | 885                           | -                     | -                     |
|  |                               | <u>2,637,887</u>      | <u>2,650,195</u>      |
| <b>Total Global</b>                              |                               | <u>\$ 14,329,441</u>  | <u>\$ 10,030,049</u>  |
| <b>Total Long Positions</b>                      |                               | <u>\$ 215,402,743</u> | <u>\$ 237,808,741</u> |

**FRONT STREET GROWTH FUND**  
**STATEMENT OF INVESTMENT PORTFOLIO**  
**AS AT JUNE 30, 2010**

|   | Number of<br>Shares/<br>Units | Cost<br>\$            | Market<br>Value<br>\$ |
|---|-------------------------------|-----------------------|-----------------------|
| <b>Short Position (-1.9%)</b>               |                               |                       |                       |
| <b>Energy (-1.9)</b>                        |                               |                       |                       |
| Birchcliff Energy Limited                   | (425,800)                     | (4,041,330)           | (4,130,260)           |
| iShares S&P/TSX Capped Energy Fund          | (29,000)                      | (769,153)             | (495,610)             |
|   |                               | <u>(4,810,483)</u>    | <u>(4,625,870)</u>    |
| <b>Total Short Position</b>                 |                               | <u>\$ (4,810,483)</u> | <u>\$ (4,625,870)</u> |
| <b>Transaction costs</b>                    |                               | <u>(433,466)</u>      | <u>—</u>              |
| <b>Total Investments (95.2%)</b>            |                               | <u>\$ 210,158,794</u> | <u>233,182,871</u>    |
| <b>Cash and Cash equivalents (1.5%)</b>     |                               |                       | 3,560,576             |
| <b>Other assets less liabilities (3.3%)</b> |                               |                       | <u>8,239,360</u>      |
| <b>Net assets (100.0%)</b>                  |                               |                       | <u>\$ 244,982,807</u> |

See accompanying notes to financial statements.

**FRONT STREET GROWTH FUND**  
(Formerly Front Street Small Cap Canadian Fund)

**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2010

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**1. THE FUND**

Front Street Growth Fund (formerly Front Street Small Cap Canadian Fund) (the "Fund") changed its name pursuant to a special resolution of the Fund passed on June 20, 2008. The Fund is an open-ended mutual fund trust which was created under the laws of the Province of British Columbia on July 26, 1985.

The Fund is managed by Front Street Capital 2004 (the "Manager"). Front Street Investment Management Inc. (the "Investment Advisor") has been retained by the Manager, on behalf of the Fund, to provide investment advisory and portfolio management services to the Fund. RBC Dexia Investor Services Trust is the trustee (the "Trustee") and custodian of the Fund. Citigroup Fund Services Canada, Inc. provides unitholder recordkeeping services and fund accounting services.

The Fund's principal investment objective is to seek capital appreciation primarily through investment in equity securities of a diversified group of publicly traded companies and to a lesser extent in equity securities of a diversified group of private companies, subject to prescribed limits on illiquid investments.

The Fund is not a mutual fund for securities law purposes. As a result, certain of the protection provided to investors in mutual funds under such laws are not available to investors in the units.

**2. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The following is a summary of the significant accounting policies followed by the Fund:

a) Financial instruments

Investments, at fair value, obligations from portfolio assets sold short, at fair value and futures contracts, at fair value have been classified as held for trading. Accounts receivable relating to units issued, amounts receivable relating to accrued income and accounts receivable relating to portfolio assets sold have been classified as loans and receivables. Accrued expenses and amounts payable relating to units redeemed have been classified as other financial liabilities.

Financial instruments which are traded in active markets are measured based on the bid price for long securities and the ask price for short securities. Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities are charged to net income in the period. The cost of individual investments in the Statement of Investment Portfolio are recorded at total cost including transaction costs.

**FRONT STREET GROWTH FUND**  
**(Formerly Front Street Small Cap Canadian Fund)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued...)

a) Financial instruments (Continued...)

In June 2008, the Canadian Securities Administrators adopted changes to National Instrument 81-106 on Investment Fund Continuous Disclosure. The changes are essentially aimed at modifying the requirements pertaining to the calculation of the unit value due to the inclusion of Section 3855, Financial Instruments - Recognition and Measurement of the CICA Handbook. These changes allow the Fund to report two distinct net asset values: one for the financial statements, which is calculated in accordance with Canadian GAAP (called "net assets") and another for all other purposes, such as unit pricing (called "net asset value"). A reconciliation between the net assets per unit and the net asset value per unit is required (see note 9) as well as description of the differences between the valuation principles and practices used by the Manager to calculate the net asset value and those prescribed by Canadian GAAP. These changes were effective September 8, 2008 and have been reflected in these financial statements.

b) Valuation of investments

i) Investments listed on an exchange are valued at the last bid price reported by the principal securities exchange on which the issue is traded on the financial statement date. The difference between this amount and cost is shown as the change in the unrealized appreciation (depreciation) of the value of investments. For investments that are not traded in an active market, Section 3855 requires the use of specific valuation techniques to be used in the determination of fair value. When current market prices or quotations are not readily available, valuations are established using specific procedures in order to estimate what the fair value would be, in an arms length transaction, motivated by normal business considerations. Valuation techniques principally include the use of the last publicly traded price, the issuance price of the securities at the date of the most recent financing of the entity or a price established by the Manager in accordance with its fair value policy.

ii) Investments which are restricted as to transferability are valued at the fair value of the unrestricted investment as provided in paragraphs (i) above less a discount of 2% per month up to four months.

The process of valuing investments for which no published market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been established had a ready market existed for these investments.

iii) Trust units are valued at the last bid price reported by the principal securities exchange on which the issue is traded on the financial statement date. The cost of the trust units is reduced on an annual basis by distributions from the trust and increased by the annual income allocated to the units by the trust.

**FRONT STREET GROWTH FUND**  
**(Formerly Front Street Small Cap Canadian Fund)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

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2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued...)

b) Valuation of investments (Continued...)

- iv) Investments in mutual funds or pooled funds are valued based on the net asset value per unit at the close of the trading on the financial statement date.
- v) The Fund values its investments in limited partnerships at the last bid price reported by the principal securities exchange on which the issue is traded on the financial statement date. The Fund calculates the cost value of its investment in limited partnerships using the equity method. Under this method, the limited partnership investments are recorded at cost plus the Fund's pro rata share in undistributed earnings since acquisition.
- vi) The Fund may make short sales whereby a security that it does not own is sold in anticipation of a decline in the fair value of the security. Securities which are sold short are valued at the last ask price reported by the principal securities exchange on which the issue is traded on the financial statement date. To enter a short sale, the Fund may need to borrow the security for delivery to the buyer.

While the transaction is open, the Fund will also incur a liability for any paid dividends or interest which are due to the lender of the security.

- vii) The Fund invests in derivatives which represent financial instruments which may require little or no initial investment and which are settled in the future. These investments are commonly referred to as options or futures contracts. Futures contracts listed upon a principal exchange are valued at their last bid price (for long contracts) and last ask price (for short contracts) at the financial statement date. Contracts with no available bid and ask prices are valued at the fair value as determined by the Manager.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued...)

c) Financial instruments disclosure and presentation and fair value measurements

The Fund has adopted CICA Handbook Sections 3862, Financial Instruments - Disclosures and 3863, Financial Instruments - Presentation, which have replaced Section 3861, Financial Instruments - Disclosure and Presentation. These new standards place increased emphasis on disclosures with respect to the nature and extent of risks arising from financial instruments and how the Fund has managed those risks. See note 10 for additional details.

The Fund adopted the amendments to CICA 3862, Financial Instruments – Disclosures on January 1, 2009. CICA 3862 establishes a three-tier hierarchy as a framework for disclosing fair value based on the inputs used to value the Fund's investments. The hierarchy of inputs is summarized below:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

See note 13 for additional details.

These changes have no impact on the net assets, results of operations or changes in net assets of the Fund.

d) Transaction costs

Portfolio transaction costs are expensed and are included in "Transaction costs" in the Statement of Operations. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges. The individual security's cost shown on the Statement of Investment Portfolio includes only those transaction costs incurred on the acquisition of portfolio investments.

e) Cash and cash equivalents

Cash and cash equivalents consist of cash balances with banks and highly liquid short-term investments with original terms to maturity of less than three months.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued...)

f) Investment transactions and income recognition

Investment transactions are accounted for on a trade date basis. Gains and losses from such transactions are calculated using the weighted average cost of the securities on disposition.

Interest income is recorded on an accrual basis. Dividend income is recorded on the ex-dividend date.

g) Income taxes

The Fund presently qualifies as a mutual fund trust under the Income Tax Act (Canada) and, accordingly, is not taxed on that portion of its taxable income that is paid or allocated to unitholders. The Fund allocates to its unitholders sufficient net income and net realized capital gains so that it will not be subject to income taxes. Foreign income received is subject to foreign withholding taxes.

h) Foreign currency translation

Income, expenses and investment transactions in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing on the dates of such transactions. Assets and liabilities in foreign currencies are translated into Canadian dollars at the closing exchange rates on each valuation day.

i) Net increase (decrease) in net assets from operations per unit

Net increase (decrease) in net assets from operations per unit are based on the increase (decrease) in net assets from operations attributable to each series of units divided by the average number of units outstanding of that series during the period.

j) Net assets per unit

The net assets per unit is calculated by dividing the net assets of a series of units by the total number of units of the series outstanding at the end of the period.

k) Capital disclosures

The Fund has adopted CICA Handbook Section 1535, Capital Disclosures, which requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. See note 12 for additional details.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued...)

l) General standards on financial statement presentation

CICA Handbook Section 1400, General Standards on Financial Statement Presentation, has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The Manager of the Fund has made this assessment and concluded that there are currently no material uncertainties that cast doubt on the Fund's ability to continue as a going concern.

m) Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the Manager to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

n) Future accounting pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, which have potential implications for the Fund, are as follows:

International financial reporting standards ("IFRS")

Effective for its fiscal year commencing January 1, 2011, the Fund must adopt IFRS. In preparation thereof, the Manager continues to monitor and implement the Fund's changeover plan and will continue to assess the impact of the implementation as new IFRS guidance become available from the International Accounting Standards Board.

The Manager has reviewed the current IFRS against the Fund's current accounting policies and financial statement presentation under Canadian generally accepted accounting principles ("Canadian GAAP"), and does not expect the adoption of IFRS will have a material effect on the Fund's net asset value per unit for all series of units. The primary impact of IFRS on accounting policies and implementation decisions will be on the financial statement presentation and note disclosures in the Fund's financial statements. In particular, the Fund will be required to present a statement of unitholders' equity and a statement of cash flows, and will be required to include certain additional and enhanced disclosures.

The Fund's changeover plan includes key activities in (a) preparation of financial statements, (b) information processing and record-keeping, (c) business policy assessment and (d) systems and controls. Based on the Manager's preliminary analysis, the Manager believes the changeover to IFRS will not materially affect the Fund's existing business arrangements.

**FRONT STREET GROWTH FUND**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
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**3. UNITS ISSUED AND OUTSTANDING**

The authorized capital of the Fund consists of an unlimited number of mutual fund units, available in three series. Redemption and commission fees vary according to each series of units as follows:

**Series A units**

Redemption fees payable to the Manager may be applicable upon the sale of units of this series based on the original cost amount and the time to disposition. A redemption fee of 5% applies to units of this series sold within the first year following acquisition. A redemption fee of 3% applies to units of this series sold within the second year following acquisition. A redemption fee of 1.5% applies to units of this series sold within the third year following acquisition. No redemption fee applies to units of this series sold after the third year following acquisition.

**Series B units**

Commission fees payable to brokers, dealers or advisors may be applicable upon the purchase of units of this series up to 5% of the gross purchase amount, at the discretion of the broker, dealer or advisor.

**Series F units**

No redemption or commission fees are applicable to units of this series.

The Fund allocates income and expenses, and realized and unrealized capital gains and losses to each class of units outstanding based on the average class allocation for the period.

The following unit transactions took place during the period:

|   | 2010       | 2009       |
|---|------------|------------|
| Units outstanding, beginning of the period: |            |            |
| Series A                                    | 12,580,413 | 12,625,181 |
| Series B                                    | 18,426,847 | 17,279,941 |
| Series F                                    | 3,289,635  | 1,480,689  |
| Units issued during the period:             |            |            |
| Series A                                    | 2,091,863  | 994,787    |
| Series B                                    | 3,126,818  | 2,660,982  |
| Series F                                    | 491,295    | 390,714    |
| Units redeemed during the period:           |            |            |
| Series A                                    | 1,650,536  | 966,303    |
| Series B                                    | 2,593,337  | 1,760,331  |
| Series F                                    | 302,781    | 310,006    |
| Units outstanding, end of the period:       |            |            |
| Series A                                    | 13,021,740 | 12,653,665 |
| Series B                                    | 18,960,328 | 18,180,592 |
| Series F                                    | 3,478,149  | 1,561,397  |

**FRONT STREET GROWTH FUND**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
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**4. MANAGEMENT AND PERFORMANCE FEES**

The Fund pays a monthly management fee equal to 1/12 of 2% of the net asset value of the Fund calculated and paid at the end of each month in arrears for series A and B units and a monthly management fee equal to 1/12 of 1% of the net asset value of the Fund calculated and paid at the end of each month in arrears for series F units.

The Fund is responsible for payment of all operating and administrative expenses of the Fund. The main components of these expenses are legal and accounting fees, printing expenses, reporting issuer filing and sustaining fees, custodial fees, fees payable to, and expenses incurred by, the Fund's Independent Review Committee and expenses of making distributions to unitholders. As the Fund has more than one series of units, the unitholders of each series bear their pro rata share of those expenses which are common to the operation of all series, as well as those expenses which are attributable solely to that series.

The Fund pays a performance fee if the percentage gain in the net asset value of a series of the Fund (as adjusted for any prior return deficiencies) over the preceding calendar quarter or quarters since a performance fee was last payable exceed the percentage gain or loss of the benchmark (the "Benchmark") over the same period. The Benchmark for the Fund is the S&P/TSX Composite Index. The fee is equal to this excess return per unit multiplied by the number of units outstanding at the end of the quarter multiplied by 20%, provided that the net asset value per unit of the Fund (including distributions) is greater than all previous values at the end of each previous calendar quarter. The starting reference point for the next calendar quarter's calculation will be based on the higher of either the Benchmark performance adjusted net asset value per unit or the adjusted actual net asset value per unit, both with respect to the previous quarter in which a performance fee was payable.

**5. TRANSACTION COSTS**

The total brokerage commissions paid by the Fund with respect to security transactions for the period ended June 30, 2010 was \$341,119 (2009 - \$230,105).

**FRONT STREET GROWTH FUND**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
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**6. RELATED PARTY TRANSACTIONS**

Management fees of \$2,744,966 (2009 - \$1,219,336) were paid to the Manager during the period (see note 4). Performance fees of \$Nil (2009 - \$Nil) were also paid to the Manager during the period (see note 4). Included in accrued expenses are \$607,757 (2009 - \$283,051) of management fees payable to the Manager.

The Fund may place a portion of its portfolio transactions with brokerage firms which are affiliates of the Manager provided it determines that these affiliates' trade execution abilities and costs are comparable to those non-affiliated, qualified brokerage firms, on an execution only basis. During the period ended June 30, 2010. Tuscarora Capital Inc., a company under common control to the Manager, received \$26,835 (2009 - \$1,964) in commissions on portfolio transactions for the Fund.

Management fees and performance fees are measured at the exchange amount of consideration prescribed by the offering documents of the Fund. When related parties enter unitholder transactions with the Fund, the exchange amount of consideration is the transactional NAV available to all other unitholders on the trade date. In the case of brokerage commissions, the exchange amount of consideration is that which is negotiated by the related parties.

**7. DISTRIBUTION POLICY**

The Fund intends to distribute all of its income for purposes of the Income Tax Act, including sufficient net realized capital gains (less applicable losses), on an annual basis, so that the Fund will not be liable for income tax. Distributions over the life of the Fund will be derived primarily from net realized capital gains and income from the Portfolio.

**FRONT STREET GROWTH FUND**  
(Formerly Front Street Small Cap Canadian Fund)

**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2010

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**8. INDEMNIFICATION OF THE MANAGER**

The Fund, pursuant to the Trust Agreement, will indemnify the Manager, its partners, directors, officers, employees and agents out of the Trust Property from all claims that may arise in connection with the exercise of its duties as Manager if they do not result from the Manager's willful misconduct, bad faith, gross negligence or reckless disregard of its duties, or breach of its obligations as manager under the Trust Agreement.

**9. RECONCILIATION OF NET ASSET VALUE - ADOPTION OF NEW ACCOUNTING POLICY - FINANCIAL INSTRUMENTS**

In accordance with the decision made by the Canadian securities regulatory authorities, a reconciliation between the transactional net asset value ("NAV") and net assets calculated using Canadian generally accepted accounting principles ("GAAP NA") of an investment fund is required for financial reporting periods ending on or after October 31, 2007. For investments that are traded in an active market where quoted prices are readily and regularly available, Section 3855 requires bid prices (for investments held) and ask prices (for investments sold) to be used in the fair valuation of investments, rather than the use of closing trade prices currently used for the purpose of determining transactional NAV. For investments that are not traded in an active market, Section 3855 requires the use of specific valuation techniques (see note 2) rather than the use of valuation techniques in general practice in the investment funds industry.

These changes account for the difference between transactional NAV and GAAP NA. The impact of the adoption of Section 3855 on the net asset value of the Fund is as follows:

As at June 30, 2010

|                              | <u>Net Asset Value</u> |                         |                       | <u>Net Assets per Unit</u> |         |
|------------------------------|------------------------|-------------------------|-----------------------|----------------------------|---------|
|                              | Transactional NAV      | Section 3855 Adjustment | GAAP NA               | Transactional NAV          | GAAP NA |
| Series A                     | \$ 90,049,966          | \$ (394,041)            | \$ 89,655,925         | \$ 6.92                    | \$ 6.89 |
| Series B                     | 131,117,416            | (574,852)               | 130,542,564           | 6.92                       | 6.89    |
| Series F                     | 24,893,588             | (109,270)               | 24,784,318            | 7.16                       | 7.13    |
| <b>Total Net Asset Value</b> | <b>\$ 246,060,970</b>  | <b>\$ (1,078,163)</b>   | <b>\$ 244,982,807</b> |                            |         |

**FRONT STREET GROWTH FUND**  
(Formerly Front Street Small Cap Canadian Fund)

**NOTES TO THE FINANCIAL STATEMENTS**  
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10. **FINANCIAL INSTRUMENTS**

The Fund's assets and liabilities classified in accordance with CICA Handbook Section 3855 are as follows:

As at June 30,

|   | 2010                  | 2009                  |
|---|-----------------------|-----------------------|
| <b>Assets</b>                                 |                       |                       |
| Held for trading                              | \$ 237,808,741        | \$ 142,666,892        |
| Cash and cash equivalents                     | 3,560,576             | 9,523,258             |
| Loans and receivables                         | <u>10,350,051</u>     | <u>855,781</u>        |
| Total Assets                                  | <u>251,719,368</u>    | <u>153,045,931</u>    |
| <b>Liabilities</b>                            |                       |                       |
| Held for trading                              | 4,625,870             | 485,460               |
| Other financial liabilities at amortized cost | <u>2,110,691</u>      | <u>5,389,031</u>      |
| Total liabilities                             | <u>6,736,561</u>      | <u>5,874,491</u>      |
| Net Assets                                    | <u>\$ 244,982,807</u> | <u>\$ 147,171,440</u> |

The Fund's financial instruments consist of investments at fair value, cash and cash equivalents, accounts receivable relating to units issued, amounts receivable relating to accrued income, accounts receivable relating to portfolio assets sold, accrued expenses, obligations from portfolio assets sold short, at fair value, accounts payable relating to units redeemed, and future contracts at fair value. It is the Manager's opinion that due to the short term nature of these financial instruments, the Fund is not exposed to significant market price, currency, interest rate, liquidity, cash flow and credit risks arising from these financial instruments except as described below. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

**Risk management**

The Investment Advisor seeks to minimize potential adverse effects of these risks on the Fund's performance by employing professional, experienced portfolio advisors, by daily monitoring of the Fund's positions and market events, and by diversifying the investment portfolio within the constraints of the investment objective. To assist in managing risk, the Manager also maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations.

**FRONT STREET GROWTH FUND**  
**(Formerly Front Street Small Cap Canadian Fund)**

**NOTES TO THE FINANCIAL STATEMENTS**  
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10. **FINANCIAL INSTRUMENTS** (Continued...)

Risk management (Continued...)

The Fund's investment activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The Statement of Investment Portfolio presents the securities held by the Fund as at June 30, 2010, and groups the securities by asset type, sector and/or market segment. Significant risks that are relevant to the Fund are discussed below.

i) Market price risk

Market price risk, is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument, its issuer, or factors affecting similar financial instruments traded in the market.

The Fund is exposed to market price risk arising from its investments in securities. The Investment Advisor manages the Fund's market price risk on a daily basis in accordance with the Fund's investment objective and policies.

ii) Currency risk

The Fund may invest in financial instruments denominated in currencies other than its measurement currency. Consequently, the Fund is exposed to risks that the exchange rate of its currency relative to other currencies may change in a manner that has an adverse effect on the value of the portion of the Fund's assets or liabilities denominated in currencies other than Canadian dollars, absent any changes in market price or investment specific events.

Included in the undernoted accounts are the following foreign currency balances:

| Currency             | Marketable securities | Cash                | Future contracts | Total               | Percentage of GAAP NA |
|----------------------|-----------------------|---------------------|------------------|---------------------|-----------------------|
| Australian Dollar    | \$ 1,014,742          | \$ -                | \$ -             | \$ 1,014,742        | 0.41%                 |
| United States Dollar | <u>2,650,195</u>      | <u>5,304,197</u>    | <u>-</u>         | <u>7,954,392</u>    | <u>3.25%</u>          |
|                      | <u>\$ 3,664,937</u>   | <u>\$ 5,304,197</u> | <u>\$ -</u>      | <u>\$ 8,969,134</u> | <u>3.66%</u>          |

**FRONT STREET GROWTH FUND**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
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10. **FINANCIAL INSTRUMENTS** (Continued...)

iii) Interest rate risk

The Fund may invest in fixed and floating rate securities. The income of the Fund may be affected by changes to interest rates relevant to particular securities or as a result of management being unable to secure similar returns on the expiry of contracts or sale of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movement in the future. Interest payable on bank overdraft or broker margin account positions will be affected by fluctuations in interest rates. As at June 30, 2010, there were investments in short-term investments representing Nil% (2009 - Nil%) of the investments owned, all maturing in less than 30 days. The remaining portion of the Fund's investments are substantially non-interest bearing equity investments and its exposure to interest rate changes is minimal.

iv) Liquidity risk

Liquidity risk is the risk the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Unitholder redemption requests are the main liquidity risk for the Fund.

The Fund maintains sufficient cash and marketable securities, and manages liquidity risk through its ability to close out market positions.

|                             | 0-12<br>months       | 1 - 3<br>periods   | Beyond<br>5<br>periods | Indefinite<br>maturity | Total                 |
|-----------------------------|----------------------|--------------------|------------------------|------------------------|-----------------------|
| Financial assets            |                      |                    |                        |                        |                       |
| Held for Trading            | \$ -                 | \$ -               | \$ -                   | \$ 234,408,741         | \$ 234,408,741        |
| Bonds                       | -                    | 3,400,000          | -                      | -                      | 3,400,000             |
| Other receivables           | 10,350,051           | -                  | -                      | -                      | 10,350,051            |
| Cash and cash equivalents   | <u>3,560,576</u>     | <u>-</u>           | <u>-</u>               | <u>-</u>               | <u>3,560,576</u>      |
| Total                       | <u>\$ 13,910,627</u> | <u>\$3,400,000</u> | <u>\$ -</u>            | <u>\$ -</u>            | <u>\$ 251,719,368</u> |
| Financial liabilities       |                      |                    |                        |                        |                       |
| Held for Trading            | \$ -                 | \$ -               | \$ -                   | \$ 4,625,870           | \$ 4,625,870          |
| Other financial liabilities | <u>2,110,691</u>     | <u>-</u>           | <u>-</u>               | <u>-</u>               | <u>2,110,691</u>      |
| Total                       | <u>\$ 2,110,691</u>  | <u>\$ -</u>        | <u>\$ -</u>            | <u>\$ 4,625,870</u>    | <u>\$ 6,736,561</u>   |
| GAAP NA                     |                      |                    |                        |                        | <u>\$ 244,982,807</u> |

Certain of the Fund's investments are in private securities which are thinly traded. As at June 30, 2010, the fair value of such assets was 13.5% (2009 – 4.6%) of the total net assets.

v) Cash flow risk

The risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. In the case of a floating rate debt instrument, for example, such fluctuations could result from a change in the effective interest rate of the financial instrument, usually without a corresponding change in its fair value.

**FRONT STREET GROWTH FUND**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
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10. **FINANCIAL INSTRUMENTS** (Continued...)

vi) Credit risk

The Fund is exposed to credit risk arising from its transactions with its counterparties and brokers, related to securities purchases and sales. Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Financial assets which potentially expose the Fund to credit risk consist principally of amounts due from brokers and derivatives. The Fund seeks to mitigate its exposure to credit risk by placing its cash, and transacting its securities activity with large financial institutions. The Fund may also invest in corporate bonds. Until the bonds are sold or mature, the Fund is exposed to credit risk relating to whether the bond issuer will meet its obligations when they come due. The extent of the Fund's exposure to credit risk in respect of these financial assets is reflected in their carrying value as recorded in the Fund's Statement of Net Assets.

As at June 30, 2010, the Fund had 1.4% in long term debt instruments.

11. **FUTURES CONTRACTS**

The Fund may enter into indexed commodity futures contracts on Natural Gas futures for speculative purposes. As at June 30, 2010, the Fund was committed to buy Nil (2009 - 96) contracts in aggregate, amounting to \$Nil (2009 - \$4,530,112).

The net unrealized loss from these futures contracts amounted to \$Nil as at June 30, 2010 (2009 - \$101,087).

The maximum exposure to loss resulting from potential future adverse market conditions is \$Nil (2009 - \$2,702,959).

12. **CAPITAL MANAGEMENT**

The Manager considers the Fund's capital to consist of the issued units and the net assets attributable to participating unitholders.

The Manager manages the capital of the Fund in accordance with the Fund's investment objectives, policies and restrictions, as outlined in the Fund's prospectus, while maintaining sufficient liquidity to meet participating unitholder redemptions. The Fund's overall strategy for managing capital remains unchanged from 2009.

The Fund does not have any externally imposed capital requirements.

**FRONT STREET GROWTH FUND**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
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13. **FAIR VALUE HIERARCHY**

The following is a summary of the inputs used as of June 30, 2010 in valuing the Fund's investments and derivatives carried at fair values as discussed in note 2(c):

| Assets at fair value as at<br>June 30, 2010                    | Quoted prices<br>in active<br>markets for<br>identical assets | Significant<br>other<br>observable<br>inputs | Significant<br>unobservable<br>inputs | Total                 |
|--|---|--|---------------------------------------|-----------------------|
|  | Level 1   | Level 2                                      | Level 3                               | Total                 |
| Investments, at fair value                                     | \$ 200,385,125  | \$ 4,448,658                                 | \$ 29,574,959                         | \$ 234,408,741        |
| Bonds  | <u>-</u>  | <u>-</u>                                     | <u>3,400,000</u>                      | <u>3,400,000</u>      |
|  | <u>\$ 200,385,125</u>   | <u>\$ 4,448,658</u>                          | <u>\$ 32,974,959</u>                  | <u>\$ 237,808,741</u> |
| <br>   |   |  |                                       |                       |
| Liabilities at fair value as at<br>June 30, 2010               | Level 1   | Level 2                                      | Level 3                               | Total                 |
| Obligations from portfolio<br>assets sold short, at fair value | \$ <u>4,625,870</u>   | \$ <u>-</u>                                  | \$ <u>-</u>                           | \$ <u>4,625,870</u>   |
|  | <u>\$ 4,625,870</u>   | <u>\$ -</u>                                  | <u>\$ -</u>                           | <u>\$ 4,625,870</u>   |

**FRONT STREET GROWTH FUND**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
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13. **FAIR VALUE HIERARCHY** (Continued...)

During the period ended June 30, 2010 reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

|                             | Fair value measurements<br>using level 3 inputs |
|-----------------------------|---|
| Balance at January 01, 2010 | \$ 19,703,193                                   |
| Purchases                   | 8,400,000                                       |
| Transfers in (out)          | (3,074,201)                                     |
| Gains (losses)              |   |
| Realized                    | -   |
| Unrealized                  | <u>7,945,967</u>                                |
| Balance at June 30, 2010    | <u>\$ 32,974,959</u>                            |

The securities involved in the transfer out were reallocated to level one as a result of having quoted prices in active markets for identical assets now available with respect to these holdings.



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