

NOTICE OF
SPECIAL MEETING OF SHAREHOLDERS

of

Front Street Resource Fund
Front Street Canadian Equity Fund
Front Street Diversified Income Fund
Front Street Money Market Fund
Front Street Small Cap Fund
each a class of shares of
FRONT STREET MUTUAL FUNDS LIMITED

TO BE HELD ON
NOVEMBER 24, 2009

AND

NOTICE OF
ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

of

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD.

TO BE HELD ON
NOVEMBER 24, 2009

AND

MANAGEMENT PROXY CIRCULAR

AND

FORM OF PROXY

FRONT STREET MUTUAL FUNDS LIMITED

33 Yonge Street, Suite 600, Toronto, Ontario M5E 1G4

Notice of Special Meeting of Shareholders to be held November 24, 2009

Notice is hereby given that a special meeting of the holders of Series A, Series B and Series F shares of Front Street Resource Fund, Front Street Canadian Equity Fund, Front Street Diversified Income Fund, Front Street Money Market Fund, and Front Street Small Cap Fund, each a class of shares of **FRONT STREET MUTUAL FUNDS LIMITED** (“**FS Mutual Funds**”) will be held at the offices of Blake, Cassels & Graydon LLP, 23rd Floor, 199 Bay Street, Commerce Court West, Toronto, Ontario on Friday, November 24, 2009 at 10:00 a.m. (Toronto time) (“**FS Mutual Funds Meeting**”), for the following purposes:

1. in respect of each class of shares of FS Mutual Funds, to consider and, if thought advisable, pass a special resolution (the text of which is set out in Schedule A-1 to the accompanying Management Proxy Circular (the “**Circular**”)) to approve the amalgamation agreement attached to the Circular as Schedule B and all matters relating to the amalgamation of FS Mutual Funds and Front Street Special Opportunities Canadian Fund Ltd., as more particularly described in the Circular; and
2. to transact such other business as may properly come before the FS Mutual Funds Meeting or any adjournment thereof.

The specific details of the foregoing matters to be put before the FS Mutual Funds Meeting are set forth in the Joint Management Proxy Circular accompanying this Notice of Meeting.

Holders of a class of shares of FS Mutual Funds (“**FS Mutual Fund Shareholders**”) are invited to attend the FS Mutual Funds Meeting. FS Mutual Fund Shareholders who are unable to attend the FS Mutual Funds Meeting in person are requested to complete, date and sign the enclosed form of proxy and send it in the enclosed envelope or otherwise to FS Mutual Funds at 33 Yonge Street, Suite 600, Toronto, Ontario, M5E 1G4 (or, if sent by facsimile, sent to: 416-364-8893), Attention: Alison Pettigrew. To be effective, a proxy must be received by FS Mutual Funds no later than November 20, 2009 at 10:00 a.m. (Toronto time) or, in the case of any adjournment of the FS Mutual Funds Meeting, not less than 48 hours, Saturdays, Sundays and holidays excepted, prior to the time of the adjournment.

DATED at Toronto, Ontario this 28th day of October, 2009.

By Order of the Board of Directors of Front Street Mutual Funds Limited



GARY P. SELKE, President and Chief Executive Officer

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD.

33 Yonge Street, Suite 600, Toronto, Ontario M5E 1G4

Notice of Annual and Special Meeting of Shareholders to be held November 24, 2009

Notice is hereby given that an annual and special meeting of the holders of Series A, Series B and Series F shares of **FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD.** (“**FS Special Opportunities Canadian Fund**”) will be held at the offices of Blake, Cassels & Graydon LLP, 23rd Floor, 199 Bay Street, Commerce Court West, Toronto, Ontario on Friday, November 24, 2009 at 10:30 a.m. (Toronto time) (“**FS Special Opportunities Canadian Fund Meeting**”), for the following purposes:

1. to receive and consider the Fund’s audited financial statements as at and for the financial year ended October 31, 2009 and the auditors’ report thereon;
2. to elect directors;
3. to re-appoint auditors and to authorize the Board of Directors to fix their remuneration;
4. to consider and, if thought advisable, pass a special resolution (the text of which is set out in Schedule A-2 to the Circular) to approve the amalgamation agreement attached as Schedule B to the Circular and all matters relating to the amalgamation of FS Mutual Funds and FS Special Opportunities Canadian Fund, as more particularly described in the Circular; and
5. to transact such other business as may properly come before the FS Special Opportunities Canadian Fund Meeting.

The specific details of the foregoing matters to be put before the FS Special Opportunities Canadian Fund Meeting are set forth in the Joint Management Proxy Circular accompanying this Notice of Meeting.

Holders of shares of FS Special Opportunities Canadian Fund (“**FS Special Opportunities Canadian Fund Shareholders**”) are invited to attend the FS Special Opportunities Canadian Fund Meeting. FS Special Opportunities Canadian Fund Shareholders who are unable to attend the FS Special Opportunities Canadian Fund Meeting in person are requested to complete, date and sign the enclosed form of proxy and send it in the enclosed envelope or otherwise to FS Special Opportunities Canadian Fund at 33 Yonge Street, Suite 600, Toronto, Ontario, M5E 1G4 (or, if sent by facsimile, sent to: 416-364-8893), Attention: Alison Pettigrew. To be effective, a proxy must be received by FS Special Opportunities Canadian Fund no later than November 20, 2009 at 10:30 a.m. (Toronto time) or, in the case of any adjournment of the FS Special Opportunities Canadian Fund Meeting, not less than 48 hours, Saturdays, Sundays and holidays excepted, prior to the time of the adjournment.

DATED at Toronto, Ontario this 28th day of October, 2009.

By Order of the Board of Directors of Front Street Special Opportunities Canadian Fund Ltd.



GARY P. SELKE, President and Chief Executive Officer

**Front Street Resource Fund
Front Street Canadian Equity Fund
Front Street Diversified Income Fund
Front Street Money Market Fund
Front Street Small Cap Fund
each a class of shares of
FRONT STREET MUTUAL FUNDS LIMITED**

and

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD.

33 Yonge Street, Suite 600
Toronto, Ontario M5E 1G4

**Joint Management Proxy Circular
October 28, 2009**

PROXIES

Solicitation of Proxies

This Management Proxy Circular (the “Circular”) is furnished in connection with the solicitation, by or on behalf of:

- (i) the management of Front Street Capital 2004 (the “Manager”), as manager of FRONT STREET MUTUAL FUNDS LIMITED (“FS Mutual Funds”) in respect of Front Street Resource Fund, Front Street Canadian Equity Fund, Front Street Diversified Income Fund, Front Street Money Market Fund, and Front Street Small Cap Fund, each a class of shares of FS Mutual Funds; and**
- (ii) the management of the Manager, as manager of FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD. (“FS Special Opportunities Canadian Fund”),**

of proxies to be used at:

- the special meeting of the holders of Series A, Series B and Series F shares of Front Street Resource Fund, Front Street Canadian Equity Fund, Front Street Diversified Income Fund, Front Street Money Market Fund, and Front Street Small Cap Fund, each a class of shares of FS Mutual Funds (the “FS Mutual Funds Meeting”); and**
- the annual and special meeting of holders of Series A, Series B and Series F shares of FS Special Opportunities Canadian Fund (the “FS Special Opportunities Canadian Fund Meeting”),**

respectively, to be held on November 24, 2009 or at any adjournment thereof.

Each of FS Mutual Funds and FS Special Opportunities Canadian Fund is referred to in this Circular as a “**Fund Corporation**”. Each of the share classes of FS Mutual Funds, together with FS Special Opportunities Canadian Fund, is referred to as a “**Fund**”. In this Circular, the “**Meetings**” refer

to both the FS Mutual Funds Meeting and the FS Special Opportunities Canadian Fund Meeting, and the “**Meeting**” refers to either the FS Mutual Funds Meeting or the FS Special Opportunities Canadian Fund Meeting, as the context requires.

It is expected that solicitation will be primarily by mail, but proxies may also be solicited personally, by advertisement or telephone, or by officers or employees of the Manager. The costs of sending the notices of the Meetings and soliciting proxies for the Meetings, as well as the other costs of the Meetings, will be paid for by the Fund Corporations.

Appointment of Proxyholder

The person(s) designated by management of a Fund Corporation in the enclosed form of proxy are directors of that Fund Corporation. **Each holder of a share of any series of a Fund (a “Shareholder”) has the right to appoint as proxyholder a person or company (who need not be a Shareholder of a Fund Corporation) other than the person(s) or company(ies) designated by management of a Fund Corporation in the enclosed form of proxy to attend and act on the Shareholder’s behalf at the Meeting or at any adjournment thereof.** Such right may be exercised by inserting the name of the person or company in the blank space provided in the enclosed form of proxy or by completing another form of proxy.

The completed, dated and signed form of proxy should be sent in the enclosed envelope or otherwise to the applicable Fund Corporation at 33 Yonge Street, Suite 600, Toronto, Ontario, M5E 1G4 (or, if sent by facsimile, sent to: 416-364-8893), Attention: Alison Pettigrew. To be effective, a proxy must be received by FS Mutual Funds or FS Special Opportunities Canadian Fund no later than November 20, 2009 at 10:00 a.m. or 10:30 a.m., respectively, (Toronto time,) or in the case of any adjournment of any Meeting, not less than 48 hours, Saturdays, Sundays and holidays excepted, prior to the time of the adjournment.

Revocation of Proxy

A Shareholder who has given a proxy may revoke it by depositing an instrument in writing signed by the Shareholder or by the Shareholder’s attorney, who is authorized in writing, at the registered office of the applicable Fund Corporation at any time up to and including the last business day preceding the day of the applicable Meeting, or in the case of any adjournment of the Meeting, the last business day preceding the day of the adjournment, or with the Chair of the Meeting on the day of, and prior to the start of, the Meeting or any adjournment thereof. A Shareholder may also revoke a proxy in any other manner permitted by law.

Voting of Proxies

On any ballot that may be called for, the shares represented by a properly executed proxy given in favour of the person(s) designated by management of a Fund Corporation in the enclosed form of proxy will be voted or withheld from voting in accordance with the instructions given on the form of proxy and, if the Shareholder specifies a choice with respect to any matter to be acted upon, the shares will be voted accordingly. In the absence of such instructions with regard to the election of directors or the appointment of auditors for FS Special Opportunities Canadian Fund, the shares will be voted for the election of the persons nominated for election as directors and the appointment of auditors, in each case, as referred to in this Circular.

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments to matters identified in the accompanying notices of Meetings and with respect to

other matters which may properly come before the Meetings or any adjournment thereof. As of the date of this Circular, management of each Fund Corporation is not aware of any such amendment or other matter to come before a Meeting. However, if any amendments to matters identified in the accompanying notices of Meetings or any other matters which are not now known to management should properly come before a Meeting or any adjournment thereof, the shares represented by properly executed proxies given in favour of the person(s) designated by management of a Fund Corporation in the enclosed form of proxy will be voted on such matters pursuant to such discretionary authority.

VOTING SHARES

FS Mutual Funds

The authorized capital of FS Mutual Funds consists of an unlimited number of shares designated as common shares (the “**Common Shares**”) of which the Manager is the only registered holder and 1,000 classes of shares each issuable in series and consisting of an unlimited number of shares known collectively as the mutual fund shares. Five classes of mutual fund shares are currently offered to the public: Front Street Resource Fund, Front Street Canadian Equity Fund, Front Street Diversified Income Fund, Front Street Money Market Fund, and Front Street Small Cap Fund. Each of these share classes is considered to be a separate mutual fund for securities law purposes, in accordance with National Instrument 81-102 (“**NI 81-102**”). Although each such share is generally a non-voting share, each has the right to vote separately as a class in respect of the proposed merger of FS Mutual Funds described in this Circular. Three series of each of these share classes has been created: Series A, Series B and Series F shares.

As of October 20, 2009, there were 405,472.810 Series A shares, 8,755,916.626 Series B shares, and 47,677.484 Series F shares of Front Street Resource Fund, 6,421,425.533 Series A shares, 8,146,669.870 Series B shares, and 421,213.605 Series F shares of Front Street Canadian Equity Fund, 3,509,147.889 Series A shares, 5,601,419.636 Series B shares, and 351,099.703 Series F shares of Front Street Diversified Income Fund, 244,102.437 Series A shares, 233,458.644 Series B shares, and 3,839.700 Series F shares of Front Street Money Market Fund, and 192,415.084 Series A shares, 574,639.376 Series B shares, and 43,857.328 Series F shares of Front Street Small Cap Fund respectively, outstanding and entitled to vote at the FS Mutual Funds Meeting. There were also three Common Shares issued and outstanding, all of which were owned by the Manager. Every registered and beneficial Shareholder, and every non-registered beneficial owner of a share of a Fund who delivers written voting instructions to the owner of record of the shares, will be entitled to one vote per share on all matters presented at the FS Mutual Funds Meeting. Fractional shares are entitled to proportionate voting rights.

The presence of at least two Shareholders of FS Mutual Funds is required to constitute a quorum at the FS Mutual Funds Meeting. The merger involving each Fund of FS Mutual Funds will require the affirmative vote of a majority of not less than two-thirds of the votes cast by each Fund voting separately at the FS Mutual Funds Meeting in order to be approved. Each series of shares of a Fund will vote together; no separate series vote is required in these circumstances.

FS Special Opportunities Canadian Fund

The authorized capital of FS Special Opportunities Canadian Fund consists of unlimited number of shares of one class, issuable in series. Currently, Series A, Series B and Series F shares are available.

As of October 20, 2009, there were 12,692,148.396 Series A shares, 21,994,522.940 Series B shares, and 2,763,040.271 Series F shares of FS Special Opportunities Canadian Fund issued and outstanding and entitled to vote at the FS Special Opportunities Canadian Fund Meeting. Every

registered and beneficial Shareholder of FS Special Opportunities Canadian Fund, and every non-registered beneficial owner of a whole share who delivers written voting instructions to the owner of record of the share, will be entitled to one vote per share on all matters presented at the FS Special Opportunities Canadian Fund Meeting. No voting rights are attached to fractional shares of FS Special Opportunities Canadian Fund.

The presence in person or by proxy of at least two Shareholders of FS Special Opportunities Canadian Fund is required to constitute a quorum at the FS Special Opportunities Canadian Fund Meeting. A single Shareholder of FS Special Opportunities Canadian Fund present in person and holding a proxy from another Shareholder of FS Special Opportunities Canadian Fund will constitute a quorum for the meeting, and a single proxy holder holding proxies from two or more Shareholders of FS Special Opportunities Canadian Fund will constitute a quorum for the meeting. The merger of FS Special Opportunities Canadian Fund being proposed at the FS Special Opportunities Canadian Fund Meeting will require the affirmative vote of a majority of not less than two-thirds of the votes cast at the FS Special Opportunities Canadian Fund Meeting in order to be approved. Each series of shares will vote together; no separate series vote is required in these circumstances. Except for this merger, or as otherwise provided for in this Circular, all matters being proposed at the FS Special Opportunities Canadian Fund Meeting will require the affirmative vote of a majority of the votes cast at the meeting in order to be approved.

Record Date

The boards of directors of each Fund have fixed October 23, 2009 as the record date for the purpose of determining which Shareholders are entitled to receive notice of and to vote at each Meeting. Any Shareholder of record at the close of business on the record date is entitled to vote the shares registered in such Shareholder's name at the date on each matter to be acted upon at the Meeting.

Principal Shareholders

To the knowledge of the directors and executive officers of each Fund, as at October 20, 2009 no person beneficially owned, directly or indirectly, or controls or directs, more than 10% of the voting rights attached to the outstanding shares of a Fund and/or other shares of a Fund Corporation except the voting shares of FS Mutual Funds held by the Manager (see "*Voting Shares*" above):

MATTERS TO BE ACTED UPON AT THE MEETINGS

1. Amalgamation of the Fund Corporations

The Manager and each of the Fund Corporations are seeking the approval of Shareholders of the Fund Corporations to the merger by way of amalgamation of the Fund Corporations in accordance with the special resolutions of Shareholders attached as Schedules A-1 and A-2 to this Circular. Such merger will be accomplished pursuant to the provisions of the agreement (the "**Amalgamation Agreement**") substantially in the form of the draft agreement attached as Schedule B to this Circular. A Shareholder of a Fund who does not wish to participate in the merger can, at any time up to the close of business on the business day immediately prior to the effective date of the merger, redeem his or her shares of the Fund and receive the net asset value thereof (less any applicable redemption charges) in accordance with the redemption procedures for the Fund. Further, a Shareholder who objects to the merger has a right under the *Canada Business Corporations Act* (Canada) (the "**CBCA**") to dissent to the merger, as described in greater detail below under "*Rights of Dissent*".

Proposed Merger

If approved by Shareholders, FS Mutual Funds and FS Special Opportunities Canadian Fund will merge to form a new amalgamated corporation, which will also be known as Front Street Mutual Funds Limited (“**Front Street Mutual Funds**”). If approved by Shareholders of each Fund, each voting separately as a class of securities, it is anticipated that this merger will be effective December 1, 2009. The merger will take place pursuant to the Amalgamation Agreement, and the filing of articles of amalgamation in respect of the Fund Corporations under the CBCA.

The authorized capital of Front Street Mutual Funds will consist of an unlimited number of mutual fund shares of up to 1,000 classes, issuable in series, and an unlimited number of common shares, to be issued to the Manager. Initially, six classes of mutual fund shares will be created, which will be the Front Street Resource Fund class of shares, the Front Street Diversified Income Fund class of shares, the Front Street Canadian Equity Fund class of shares, the Front Street Small Cap Fund class of shares, the Front Street Special Opportunities Canadian Fund class of shares and the Front Street Money Market Fund class of shares. Each class of mutual fund shares will be issuable in series. Initially, Series A, Series B, Series F, and Series X shares of each class will be created.

Shareholders holding a class or series of shares of a Fund will be issued shares of Front Street Mutual Funds as indicated below:

| Existing Share Class | Class of Shares of Front Street Mutual Funds to be Issued |
|--|--|
| Front Street Mutual Funds Limited | |
| Front Street Resource Fund | Front Street Resource Fund |
| Series A shares | Series A shares |
| Series B shares | Series B shares |
| Series F shares | Series F shares |
| Front Street Diversified Income Fund | Front Street Diversified Income Fund |
| Series A shares | Series A shares |
| Series B shares | Series B shares |
| Series F shares | Series F shares |
| Front Street Canadian Equity Fund | Front Street Canadian Equity Fund |
| Series A shares | Series A shares |
| Series B shares | Series B shares |
| Series F shares | Series F shares |
| Front Street Money Market Fund | Front Street Money Market Fund |
| Series A shares | Series A shares |
| Series B shares | Series B shares |
| Series F shares | Series F shares |
| Front Street Small Cap Fund | Front Street Small Cap Fund |
| Series A shares | Series A shares |
| Series B shares | Series B shares |
| Series F shares | Series F shares |
| Common Shares | Common Shares |

Front Street Special Opportunities Canadian Fund Ltd.

| | |
|-----------------|---|
| | Front Street Special Opportunities Canadian Fund |
| Series A shares | Series X shares |
| Series B shares | Series B shares |
| Series F shares | Series F shares |

Essentially, each Shareholder of FS Mutual Funds will be issued the same class and series of shares of Front Street Mutual Funds that they now hold. For purposes of NI 81-102, Front Street Mutual Funds may be considered to be the “continuing fund” in the merger. Shareholders will receive one share of the appropriate class and series of Front Street Mutual Funds for each share of FS Mutual Funds that they hold as at the close of business on November 30, 2009. The net asset value (and hence the issue price) of each such share when issued on December 1, 2009 will be identical to the net asset value per share of the equivalent class and series of shares of FS Mutual Funds calculated as at the close of business on November 30, 2009.

The Front Street Special Opportunities Canadian Fund class of shares of each series to be issued by Front Street Mutual Funds will be identical in all respects to the shares of FS Special Opportunities Canadian Fund currently issued and outstanding. Shareholders will on the merger date receive one share of the appropriate class and series of Front Street Mutual Funds for each share of FS Special Opportunities Canadian Fund that they hold as at the close of business on November 30, 2009. The net asset value (and hence the issue price) of each such share when issued on December 1, 2009 will be equal to the net asset value per share of the equivalent series of shares of FS Special Opportunities Canadian Fund calculated as at the close of business on November 30, 2009.

For a discussion of the differences between the class of shares now held by an investor and the class of shares of Front Street Mutual Funds proposed to be issued to the investor in the merger, see “*Special Considerations for Certain Shareholders*” below.

Information Regarding Front Street Mutual Funds

| | |
|---|---|
| <p>Manager Front Street Capital 2004 33 Yonge Street Suite 600 Toronto, Ontario M5E 1G4</p> | <p>The Manager is responsible for providing or arranging for all required administrative services to and operations of the Funds, the management of each Fund’s investment portfolio and for distributing or arranging for the distribution of shares of the Funds.</p> |
| <p>Portfolio Advisor Front Street Investment Management Inc. Toronto, Ontario</p> | <p>Front Street Investment Management provides investment advice to the Funds.</p> |
| <p>Prime Broker/Custodian Front Street Resource Fund and Front Street Small Cap Fund: RBC Dominion Securities Inc. Toronto, Ontario Front Street Diversified Income Fund, Front Street</p> | <p>The prime broker/custodian of a Fund has physical custody of the securities in the Fund’s portfolio.</p> |

| | |
|--|--|
| <p>Canadian Equity Fund and Front Street Money Market Fund: NBCN Inc. Toronto, Ontario</p> <p>Front Street Special Opportunities Canadian Fund: RBC Dexia Investor Services Trust Toronto, Ontario</p> | |
| <p>Registrar/Administrator</p> <p>Citigroup Fund Services Canada Inc. Toronto, Ontario</p> | <p>The registrar keeps track of the registered owners of shares of the Funds in a register of Shareholders of the Funds and provides administrative services to the Manager in respect of the Funds.</p> |
| <p>Auditor</p> <p>Segal LLP Toronto, Ontario</p> | <p>The auditor examines and verifies the annual financial statements of the Funds.</p> |

The initial portfolio of Front Street Resource Fund on December 1, 2009 will consist of those portfolio assets of FS Mutual Funds attributable to the Front Street Resource Fund at the close of business on November 30, 2009. Details of such portfolio assets as at April 30, 2009 can be found in the financial statements of such Funds, available from the Manager upon request or on SEDAR at www.sedar.com.

The initial portfolio of Front Street Diversified Income Fund on December 1, 2009 will consist of those portfolio assets of FS Mutual Funds attributable to the Front Street Diversified Income Fund at the close of business on November 30, 2009. Details of such portfolio assets as at April 30, 2009 can be found in the financial statements of such Funds, available from the Manager upon request or on SEDAR at www.sedar.com.

The initial portfolio of Front Street Canadian Equity Fund on December 1, 2009 will consist of those portfolio assets of FS Mutual Funds attributable to the Front Street Canadian Equity Fund at the close of business on November 30, 2009. Details of such portfolio assets as at April 30, 2008 can be found in the financial statements of such Funds, available from the Manager upon request or on SEDAR at www.sedar.com.

The initial portfolio of Front Street Small Cap Fund on December 1, 2009 will consist of those portfolio assets of FS Opportunity Funds attributable to the Front Street Small Cap Fund at the close of business on November 30, 2009. Details of such portfolio assets as at April 30, 2008 can be found in the financial statements of such Funds, available from the Manager upon request or on SEDAR at www.sedar.com.

The initial portfolio of Front Street Money Market Fund on December 1, 2009 will consist of those portfolio assets of FS Mutual Funds attributable to the Front Street Money Market Fund at the close of business on November 30, 2009. Details of such portfolio assets as at April 30, 2008 can be found in the financial statements of such Funds, available from the Manager upon request or on SEDAR at www.sedar.com.

The initial portfolio of Front Street Special Opportunities Canadian Fund on December 1, 2009 will consist of the portfolio assets of FS Special Opportunities Canadian Fund at the close of business on November 30, 2009. Details of such portfolio assets as at April 30, 2008 can be found in the financial statements of such Fund, available from the Manager upon request or on SEDAR at www.sedar.com.

Additional details of the six classes of mutual fund shares to be created for Front Street Mutual Funds, each of which constitutes a Fund, are set out in Schedule C and Schedule D of this Circular. Shareholders should also refer to the provisions of the Amalgamation Agreement set out in Schedule B to this Circular.

Front Street Mutual Funds will confirm the appointment of its independent review committee (“**IRC**”) as required by National Instrument 81-107 – *Independent Review Committee for Investment Funds* (“**NI 81-107**”). The purpose of the IRC is to review and provide a decision to the Manager with respect to conflict of interest matters referred by the Manager to the IRC. A conflict of interest matter is any matter in which the interests of the Manager may be such that they conflict, or could be perceived to conflict, with its obligation to act in the best interests of the Funds. The members of each Fund’s IRC are currently John Clarke and Frank Cooper. These individuals will form the IRC for Front Street Mutual Funds, and they will receive the same compensation for so acting as is currently being paid to them. It is expected that the IRC will re-issue any standing instructions previously provided in respect of the Funds.

Reasons for the Merger

The Manager and the Fund Corporations believe that the merger will be beneficial to Shareholders of each Fund for the following reasons:

- (a) Investors in each of the Funds will be provided with a broader choice of mutual funds into which they may switch their investments on a tax-deferred basis; and
- (b) The amalgamation may also benefit investors as a result of the increased economies of scale resulting from the consolidation of sales, marketing and management activities that are expected to reduce fund expenses.

The boards of directors of the Fund Corporations have reviewed with members of senior management of the Manager (the “**Management**”) the plans to merge the Funds described in this Circular and the reasons for the merger. Management discussed with the respective boards of directors the nature of the information to be provided to the Shareholders of the Funds and the options that would be available to such Shareholders with respect to the merger. During this review process, Management addressed and responded to all of the questions and issues, and this Circular reflects those discussions. Each board of directors has determined that the merger is in the best interests of Shareholders of the Funds.

Management has also provided details of the proposed merger to the Funds’ IRC and such committee has concluded that submitting the proposed merger to Shareholders for their consideration and approval achieves a fair and reasonable result for Shareholders.

None of the Funds will bear any of the costs and expenses associated with completing the merger if it is approved by Shareholders. Such costs will be borne by the Manager.

Special Considerations for Certain Shareholders

Holders of Shares of Front Street Mutual Funds Limited

The completion of the amalgamation will cause FS Mutual Funds to have a taxation year end on November 30, 2009 and accordingly FS Mutual Funds will be required to file an income tax return and financial statements for the period and declare and pay dividends and/or capital gains dividends as necessary to minimize FS Mutual Funds' tax liability. See "Tax Implications of the Merger".

As part of the merger proposal, shareholders are being asked to approve a change to the management agreement that will allow the Manager, at its discretion, to add a service charge of up to 15% of the costs incurred for any operating and administrative services charged to the Funds other than the management services which are already included in the management fee rate which it receives from the Funds.

Generally, the investment objectives and strategies of the resulting share class of Front Street Mutual Funds are those of the applicable share class of FS Mutual Funds. Shareholders of FS Mutual Funds should, however, review carefully the discussion of the investment objective and investment strategies for the resulting share class of Front Street Mutual Funds set out in Schedule D of this Circular.

Holders of Shares of Front Street Special Opportunities Canadian Fund Ltd.

The Front Street Special Opportunities Canadian Fund class of shares of each series to be issued by Front Street Mutual Funds will be substantially the same as the shares of FS Special Opportunities Canadian Fund currently issued and outstanding, except as discussed below.

Holders of Series A Shares of FS Special Opportunities Canadian Fund will receive Series X Shares of the Front Street Special Opportunities Canadian Fund class of shares issued in connection with the merger. Holders of Series X Shares of Front Street Special Opportunities Canadian Fund will only be permitted to exchange those Shares for Series X Shares of the other Funds; and the Series X Shares of the Funds will not be issued for cash but will be issued only in connection with exchanges of Series X Shares from one Fund to another. Holders of Series X Shares of Front Street Special Opportunities Canadian Fund wishing to make a further investment in the Fund should purchase Series A or Series B Shares (or, if eligible, Series F Shares).

Currently, each series of shares of FS Special Opportunities Canadian Fund pays a management fee of 2.0%. The Manager pays service fees to dealers whose clients hold such shares out of its management fee. For greater transparency, and for consistency with the other Funds of Front Street Mutual Funds, each series of the Front Street Special Opportunities Canadian Fund class of shares of Front Street Mutual Funds will pay a management fee to the Manager, and make a second management fee payment to the Manager in an amount equal to the service fees to be paid by the Manager. For the Series X shares, the management fees payable will be 1.5% plus a further management fee payment in an amount equal to the service fees of 0.5%, for a total of 2.0%. This means that the management fees payable by investors in the current Series A shares (which will become Series X shares on the amalgamation) will remain unchanged, as the management fees payable on these series are currently 2.0%. For the Series B shares, the management fees payable will be 1.5% plus a further management fee payment in an amount equal to the service fees of 1.0%, for a total of 2.5%. This means that the management fees payable by investors in this series of shares will increase, as the management fees payable on these series are currently 2.0%. For the Series F shares, the management fees payable will be 1.5%, with no further payments being owing (as the Manager does not pay service fees on this series of shares). The current prospectus of FS Special Opportunities Canadian Fund provides that the Manager

has the right to charge 2.0% for management fees on this series but the Manager has charged less. It is the Manager's intention to charge the 1.5% fee which it will be entitled to on the new series F shares.

For the Series X shares of Front Street Special Opportunities Canadian Fund, the redemption charge applicable to investors holding such shares will not change from that which currently applies to the Series A shares of FS Special Opportunities Canadian Fund.

Generally, the investment objective and strategies of the resulting share class of Front Street Mutual Funds are those of FS Special Opportunities Canadian Fund. Shareholders of FS Special Opportunities Canadian Fund should, however, review carefully the discussion of the investment objective and investment strategies for the applicable share class of Front Street Mutual Funds set out in Schedule C of this Circular.

The completion of the amalgamation will cause FS Special Opportunities Canadian Fund to have a taxation year end on November 30, 2009 and accordingly FS Special Opportunities Canadian Fund will be required to file an income tax return and financial statements for the period and declare and pay dividends and /or capital gains dividends as necessary to minimize the FS Special Opportunity Canadian Fund's tax liability. See "Tax Implications of the Merger".

FS Mutual Funds has issued a class of voting securities, which gives the Manager, as the holder of such shares, the right to elect directors and appoint auditors of those Fund Corporations, among other corporate law matters. Unlike these Fund Corporations, FS Special Opportunities Canadian Fund has no such share class, and each series of shares of this Fund Corporation is "fully" voting, with the result that this Fund has held annual meetings to elect directors and appoint auditors. Following the merger, the Manager will hold all of the voting Common Shares of Front Street Mutual Funds, with the result that the series of Front Street Special Opportunities Canadian Fund shares will become non-voting, except for those matters where holders of non-voting shares have the right to vote under the CBCA, and except for those matters where NI 81-102 requires a shareholder vote.

As part of the merger proposal, shareholders are being asked to approve a change to the management agreement that will allow the Manager, at its discretion, to add a service charge of up to 15% of the costs incurred for any operating and administrative services charged to the Funds other than the management services which are already included in the management fee rate which it receives from the Funds.

Tax Implications Regarding the Merger

This is a general summary of the principal Canadian federal income tax consequences of the merger relevant to a Shareholder of a Fund Corporation who is an individual (other than a trust) resident in Canada who deals at arm's length and is not affiliated with the Fund Corporation and who holds shares of the Fund Corporation as capital property. This description is based on the current provisions of the *Income Tax Act* (Canada) and the regulations thereunder (the "**Tax Act**"), all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Proposed Amendments**") and counsel's understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency ("**CRA**") publicly available prior to the date hereof. This summary assumes that all Proposed Amendments will be enacted in the form proposed and no assurances can be given that the Proposed Amendments will become law as proposed or at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, other than the Proposed Amendments. This summary does not deal with

foreign, provincial or territorial income tax considerations, which might differ from the federal considerations.

The summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Shareholder. Accordingly, Shareholders should consult with their own tax advisors for advice with respect to the tax consequences of the amalgamation having regard to their own particular circumstances.

Redemption of Shares Prior to the Merger

A Shareholder who redeems shares of a Fund up to the close of business one business day immediately prior to the effective date of the merger will realize a capital gain (or capital loss) to the extent that the proceeds of disposition exceed (or are exceeded by) the aggregate of the Shareholder's adjusted cost base of the shares redeemed and any reasonable costs of disposition. A Shareholder who is not exempt from tax must include one-half of a capital gain (a "**taxable capital gain**") in income. One-half of a capital loss (an "**allowable capital loss**") realized by a shareholder in a year will be deductible against taxable capital gains realized by the shareholder in that year. Allowable capital losses in excess of taxable capital gains realized in any year may, subject to certain limitations under the Tax Act, be carried-back three years or forward indefinitely for deduction against taxable capital gains realized in those years.

Tax Implications of the Merger

The merger of the Fund Corporations will be a tax-deferred transaction and will not give rise to tax in any of the Fund Corporations or in Front Street Mutual Funds. A Shareholder will not realize a capital gain or capital loss as a result of the exchange of shares on the merger. Where a Shareholder receives shares of only one series of Front Street Mutual Funds on the merger, the Shareholder's cost of those shares will be equal to the adjusted cost base of his or her shares of the Fund or Funds in respect of which such shares of Front Street Mutual Fund were received. Where a Shareholder receives shares of more than one series of Front Street Mutual Funds on the merger, pursuant to the CRA's Interpretation Bulletin IT-474R2, the Shareholder's cost of his or her shares of a particular series of Front Street Mutual Funds will be equal to the adjusted cost base of his or her shares of the Fund or Funds in respect of which such shares of that particular series of Front Street Mutual Funds were received.

There will be an acquisition of control of FS Special Opportunities Canadian Fund on the date of the merger giving rise to a deemed taxation year-end of FS Special Opportunities Canadian Fund. Generally, on an acquisition of control, the rules in the Tax Act restrict a corporation's use of losses after the acquisition of control subject to certain detailed exceptions. FS Special Opportunities Canadian Fund has capital losses for taxation years ending before the acquisition of control. FS Special Opportunities Canadian Fund must write down to fair market value any of its capital properties that have a fair market value that is less than their tax cost, giving rise to additional capital losses. These capital losses may not be carried forward for use by Front Street Mutual Funds. However, FS Special Opportunities Canadian Fund may designate the amount of such capital losses to increase the tax cost of its capital properties that have a fair market value that is greater than their tax cost up to their fair market value. It is anticipated that FS Special Opportunities Canadian Fund will be able to utilize or designate the full amount of such capital losses, with the result that none of such capital losses will expire unutilized.

The merger will result in a deemed taxation year-end for each Fund Corporation. Each Fund Corporation will declare and pay on or before November 30, 2009 dividends and/or capital gains dividends to Shareholders of record as at November 27, 2009 as necessary to minimize each Fund Corporation's tax liability. Generally, the amount of any dividends paid to Shareholders from a Fund Corporation must be included in the Shareholder's income for the taxation year in which the dividends are

received and will be subject to the gross-up and dividend tax credit rules in the Tax Act. The amount of any capital gains dividends paid to Shareholders from a Fund Corporation will be considered to be a capital gain of the Shareholder from the disposition of capital property in the taxation year of the Shareholder in which the capital gains dividend is received.

Tax Consequences of Investing in Front Street Mutual Funds

For Shareholders of FS Mutual Funds, the tax consequences of acquiring, holding and disposing of shares of Front Street Mutual Funds will be substantially the same as the tax consequences of acquiring, holding and disposing of their current shares. For Shareholders of FS Special Opportunities Canadian Fund, the tax consequences of acquiring, holding and disposing of their shares of Front Street Mutual Funds will be substantially the same as the tax consequences of acquiring, holding and disposing of their current shares, except that such Shareholders who hold their shares in Front Street Mutual Funds as capital property will be able to convert their shares into shares of another Fund and will not be considered to have disposed of those shares for purposes of the Tax Act. Please refer to the current annual information form of FS Mutual Funds for a description of these income tax consequences.

Dissenting Shareholders

The tax consequences to a shareholder of a Fund who exercises his or her dissent rights, as described herein, will generally be the same as the tax consequences of the redemption of shares described above under “*Redemption of Shares Prior to Merger*”.

Qualification for Investment

Shares of each class of Front Street Mutual Funds will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans, and tax-free savings accounts.

Year-End Distributions

The completion of the merger will cause a taxation year-end for each Fund Corporation immediately prior to their merger. The Fund Corporations will declare and pay dividends and/or capital gains dividends as necessary to Shareholders of record as at November 29, 2009. Where such dividends are payable in shares or are reinvested in shares pursuant to a dividend reinvestment plan, such shares will be issued prior to the merger and will be converted into the appropriate class of shares of Front Street Mutual Funds on the merger.

Material Contracts

To the extent the merger results in a duplication of material contracts, the Amalgamation Agreement requires the Fund Corporations to rationalize those material contracts, by terminating or amending such agreements as may be necessary or desirable in light of the merger. It is not anticipated that any such amendments or terminations will result in a material change to any such agreement.

Approval by Shareholders

To proceed with the merger, Shareholders must pass the applicable resolution set out in Schedules A-1 and A-2 to this Circular. The resolution gives the Fund Corporations the right to decide

not to proceed with the merger, or any part thereof, in their discretion, notwithstanding Shareholder approval.

For FS Mutual Funds, the resolution must be approved by each Fund (that is, by the holders of each class of mutual fund shares, voting separately as a class without distinction among series of shares of a class). The Manager has already approved the merger in its capacity as the holder of the common shares.

For FS Special Opportunities Canadian Fund, the resolution must be approved by the holders of each series of shares of FS Special Opportunities Canadian Fund.

The merger is subject to receipt by the Manager of certain exemptive relief which is intended to permit Front Street Mutual Funds to use the performance history of FS Special Opportunities Canadian Fund as if the merger had not taken place and to exempt the Funds from the requirement to mail the financial statements for the year ended November 30, 2009.

By approving the merger, Shareholders of a Fund also will be authorizing the directors of the Fund and the directors or officers of the Manager, as applicable, to take all such steps as may be necessary or desirable to give effect to the merger. Shareholders will also thereby be authorizing and approving any changes discussed in this Circular in Front Street Mutual Funds from their existing investment, including any such changes for which Shareholder approval is required under NI 81-102.

Rights of Dissent

Under section 190 of the CBCA, Shareholders of each Fund Corporation have the right to dissent in respect of the special resolution relating to such Fund Corporation set out in Schedules A-1 and A-2 to this Circular, as applicable (the “**Special Resolution**”) and, if the actions approved by the Special Resolution become effective, to receive from the relevant Fund Corporation the fair value of the shares held by the Shareholder in respect of which the Shareholder dissents determined as of the close of business on the day before the Special Resolution is adopted. The boards of directors of the Fund Corporations consider the fair value of their respective shares of a class and series to be their respective net asset values determined on the relevant valuation date and therefore intend to offer, if necessary, such value determined on at the close of business on November 30, 2009 to any Shareholder who exercises his or her right to dissent if the Special Resolution is adopted.

Shareholders currently have the right to redeem their shares on any valuation day. Shareholders who exercise such right of redemption up to the close of business on a valuation day receive the applicable net asset value per share determined at the close of business on such day and thereafter are deemed not to be Shareholders. Redemption requests in respect of shares may therefore be received by the close of business on November 30, 2009. Payment for shares redeemed is made not later than the third business day following the date of redemption.

As a result of the procedures set out in section 190 of the CBCA, Shareholders of a Fund Corporation who exercise their right to dissent in accordance with such procedures (as summarized below) will receive the fair value for their shares later than would be the case if the Shareholder redeems his or her shares in accordance with the normal redemption procedures described above. A Shareholder who does not wish to authorize the Special Resolution or become a Shareholder in Front Street Mutual Funds should therefore consult with an adviser before exercising the Shareholder’s right to dissent to confirm whether redemption in the ordinary course is the preferred procedure to follow.

In order to exercise the right of dissent, Shareholders of a Fund Corporation must follow the procedures set out in section 190 of the CBCA. The following is a brief summary of those procedures. The dissenting Shareholder of a Fund Corporation is required to send a written objection to the Fund Corporation at or prior to its Meeting. A vote against the Special Resolution or an abstention does not constitute a written objection. Within 10 days after the Special Resolution is adopted by the Shareholders, the Fund Corporation must so notify the dissenting Shareholder, who is then required, within 20 days after receipt of such notice (or if he or she does not receive such notice, within 20 days after he or she learns of the adoption of the Special Resolution), to send to the Fund Corporation a written notice containing his or her name and address, the number of shares in respect of which he or she dissents (which must be not less than all of his or her shares of the Fund Corporation) and a demand for payment of the fair value of such shares. Within 30 days after sending such written notice, the dissenting Shareholder also must send to the Fund Corporation the certificate(s) (if any) representing his or her shares or the right of dissent will be forfeited. Within seven days after the action approved by the Special Resolution becomes effective, the Fund Corporation is required to determine the fair value of the shares and to make a written offer to pay such amount to the dissenting Shareholder. If such offer is not made, or is not accepted by the dissenting Shareholder within 30 days, the Fund Corporation may apply to the court to fix the fair value of the shares, failing which the dissenting Shareholder may make such application. If an application is made by either party, the dissenting Shareholder will be entitled to be paid the amount fixed by the court, which may be greater or less than the value previously offered by the Fund Corporation.

Recommendation

Management recommends that Shareholders of each Fund vote FOR the proposed resolutions regarding the amalgamation of the Fund Corporations.

2. Election of Directors of FS Special Opportunities Canadian Fund

The number of directors of FS Special Opportunities Canadian Fund is fixed at four and the number of directors to be elected at the FS Special Opportunities Canadian Fund Meeting is four. Gary Selke, Normand Lamarche, David Conway and Linda Hryma are currently directors of FS Special Opportunities Canadian Fund. Each of these people was last elected a director of FS Special Opportunities Canadian Fund by a vote of Shareholders of FS Special Opportunities Canadian Fund at the annual meeting of FS Special Opportunities Canadian Fund held on March 6, 2008. Each director will hold office until (i) the amalgamation described above is effected, (ii) the next annual meeting, or (iii) the successor of such director is duly elected or appointed, unless such office is earlier vacated in accordance with the by-laws.

In the absence of a contrary instruction, the person(s) designated by management of FS Special Opportunities Canadian Fund in the enclosed form of proxy intend to vote FOR the election as directors of the proposed nominees whose names are set forth below, each of whom has been a director since the date indicated below opposite the proposed nominee's name. Management of FS Special Opportunities Canadian Fund does not anticipate that any of the nominees for election as directors will be unable to serve as a director of FS Special Opportunities Canadian Fund, but if that should occur for any reason prior to the FS Special Opportunities Canadian Fund Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion.

The following table sets forth information with respect to each person proposed to be nominated for election as a director of FS Special Opportunities Canadian Fund, including the number of shares of FS Special Opportunities Canadian Fund beneficially owned, directly or indirectly, or over which control or direction was exercised, by such person or the person's associates or affiliates as at October 20, 2009.

The information as to shares beneficially owned or over which control or direction is exercised, not being within the knowledge of the Fund, has been furnished by the respective proposed nominees individually.

| Nominee Name and Place of Residence | Position with Fund | Director Since | Shares Beneficially Owned or Controlled | Principal Occupation for the last five years |
|--|--------------------------------------|-----------------------|--|--|
| Normand Lamarche Toronto, Ontario | Director and Chief Financial Officer | January 4, 2001 | 2,789,006.38 ¹ | Portfolio Manager of Front Street Investment Management Inc. |
| Gary Selke Toronto, Ontario | Director and Chief Executive Officer | December 8, 1999 | 384,982.63 | President and Chief Executive Officer of Front Street Capital 2004, and Chairman, President and Chief Executive Officer of Front Street Investment Management Inc. |
| David Conway Stouffville, Ontario | Director | January 4, 2001 | 134,888.17 | Vice President and Corporate Secretary of Front Street Capital 2004 and of Front Street Investment Management Inc. |
| Linda Hryma Oakville, Ontario | Director | July 31, 2002 | 109,590.89 | Office Manager and Assistant Corporate Secretary of Front Street Investment Management Inc. and Office Manager of Tuscarora Capital Inc. |

1. The breakdown of these holdings is as follows: 1,342,271.95 shares are held in accounts beneficially owned or controlled or directed by Laura Lamarche and the remaining shares are held in accounts beneficially owned or controlled or directed by Normand Lamarche.

Audit Committee of FS Special Opportunities Canadian Fund

FS Special Opportunities Canadian Fund is required to have an audit committee. The members of the Fund's audit committee are Gary Selke, Linda Hryma and David Conway.

3. Re-appointment of Independent Auditors

Segal LLP, Chartered Accountants of Toronto, Ontario, is the current auditor of FS Special Opportunities Canadian Fund. Segal LLP was appointed as auditor of FS Special Opportunities Canadian Fund effective September 11, 2006 at the annual meeting of Shareholders of FS Special Opportunities Canadian Fund held on October 5, 2006. At the FS Special Opportunities Canadian Fund Meeting, Shareholders of FS Special Opportunities Canadian Fund will be requested to re-appoint Segal LLP, Chartered Accountants, as auditor of FS Special Opportunities Canadian Fund, to hold office until the next annual meeting of Shareholders or until a successor is appointed, and to authorize the Board of Directors to fix the auditor's remuneration.

In the absence of a contrary instruction, the person(s) designated by management of FS Special Opportunities Canadian Fund in the enclosed form of proxy intend to vote FOR: (1) the re-

appointment of Segal LLP as auditor of FS Special Opportunities Canadian Fund, to hold office until the next annual meeting of Shareholders or until a successor is appointed, and (2) the authorization of the Board of Directors of FS Special Opportunities Canadian Fund to fix the remuneration of the auditor.

EXECUTIVE COMPENSATION – FS SPECIAL OPPORTUNITIES CANADIAN FUND

Compensation of Directors and Officers

Directors of FS Special Opportunities Canadian Fund are not paid any compensation by FS Special Opportunities Canadian Fund. No executive officer of FS Special Opportunities Canadian Fund received salary, bonus or other annual compensation from FS Special Opportunities Canadian Fund during FS Special Opportunities Canadian Fund's last two fiscal years.

Indebtedness of Directors and Senior Officers

At no time during the financial year ended October 31, 2008 or during the financial year ended October 31, 2007 were any of the directors, officers or their associates of FS Special Opportunities Canadian Fund indebted to FS Special Opportunities Canadian Fund.

Stock Options

Since October 31, 2005, no options to purchase shares of FS Special Opportunities Canadian Fund or any of its subsidiaries were granted to or exercised by the directors or officers of the FS Special Opportunities Canadian Fund.

INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Management Agreement

The Fund Corporations have contracted with the Manager for the provision of provide certain management services. The office of the Manager is located at 33 Yonge Street, Suite 600, Toronto, Ontario. As compensation for providing or arranging for all required administrative services to and for the Fund Corporations and management of the Fund Corporations' investment portfolio, and for distributing or arranging for the distribution of securities of the Fund Corporations, the Fund Corporations pay the Manager a monthly management fee and a performance fee, as disclosed in the current simplified prospectus of each of the Fund Corporations.

FS Special Opportunities Canadian Fund paid the Manager aggregate fees (including management and performance fees) of \$9,114,125 for the financial year ended October 31, 2008 and \$1,141,684 for the six months ended April 30, 2009.

FS Mutual Funds paid the Manager aggregate fees (including management and performance fees) of \$2,235,995 for the financial year ended October 31, 2008, and \$4,178,287 for the six months ended April 30, 2009.

Front Street Mutual Funds will appoint the Manager as manager of each Fund if the Special Resolutions are adopted. The fees payable to the Manager by Front Street Mutual Funds are set out in Schedule C for each Fund separately.

Informed Persons of the Manager

The informed persons of the Manager are as follows:

| <u>Insider Name</u> | <u>Municipality of Residence</u> |
|----------------------------|---|
| Normand G. Lamarche | Toronto, Ontario |
| Gary P. Selke | Toronto, Ontario |
| Frank L. Mersch | Toronto, Ontario |
| David A. Conway | Stouffville, Ontario |
| Linda D. Hryma | Oakville, Ontario |
| Tracey N. Patel | Toronto, Ontario |

AVAILABLE INFORMATION

Financial information relating to each Fund is provided in the Fund's financial statements and annual management report of fund performance ("MRFP") for its most recently completed financial year.

Shareholders of each Fund may request copies of the Fund's financial statements and MRFP by calling 1 (800) 513-2832 or from their dealer or by email at advisorservice@frontstreetcapital.com. These documents and other information about each Fund are also available at www.sedar.com.

SHAREHOLDER PROPOSALS

Persons entitled to vote at the next annual meeting of FS Special Opportunities Canadian Fund, if any, who wish to submit a proposal for consideration at the meeting must submit their proposal to FS Special Opportunities Canadian Fund by July 22, 2010.

DIRECTORS' APPROVAL

The contents and the sending of this Circular have been approved by the Board of Directors of each of the Funds.

Dated as of October 28, 2009.



Gary Selke, Director
Front Street Mutual Funds Limited



Gary Selke, Director
Front Street Special Opportunities Canadian Fund Ltd.

SCHEDULE A-1

**FORM OF SPECIAL RESOLUTION OF THE SHAREHOLDERS
OF EACH OF**

**Front Street Resource Fund
Front Street Canadian Equity Fund
Front Street Diversified Income Fund
Front Street Money Market Fund
Front Street Small Cap Fund
each a class of shares of
FRONT STREET MUTUAL FUNDS LIMITED**

(each, a “Fund”)

BE IT RESOLVED THAT:

1. in respect of each Fund, the amalgamation agreement, attached as Schedule B to the Management Proxy Circular (the “Circular”) dated October 28, 2009, is approved;
2. in respect of each Fund, all matters relating to the amalgamation (the “Amalgamation”) of Front Street Mutual Funds Limited and Front Street Special Opportunities Canadian Fund Ltd., including all those matters for which securityholder approval under National Instrument 81-102 – *Mutual Funds* is required, all as more particularly described in the Circular, are approved;
3. Front Street Capital 2004 (the “Manager”), the manager of Front Street Mutual Funds Limited, may, in its discretion, elect to not proceed with the Amalgamation; and
4. any director or officer of Front Street Mutual Funds Limited, or the Manager, is authorized to take all such steps as may be necessary or desirable to give effect to the foregoing including to amend the constating documents of Front Street Mutual Funds Limited as described in the Circular.

SCHEDULE A-2

**FORM OF SPECIAL RESOLUTION OF THE SHAREHOLDERS
OF
FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD.**

(the “Corporation”)

BE IT RESOLVED THAT:

1. the amalgamation agreement, attached as Schedule B to the Management Proxy Circular (the “Circular”) dated October 28, 2009, is approved;
2. all matters relating to the amalgamation (the “Amalgamation”) of the Corporation and Front Street Mutual Funds Limited, including all those matters for which securityholder approval under National Instrument 81-102 – *Mutual Funds* is required, all as more particularly described in the Circular, are approved;
3. Front Street Capital 2004, the manager (the “Manager”) of the Corporation, may, in its discretion, elect to not proceed with the Amalgamation; and
4. any director or officer of the Corporation, or the Manager, is authorized to take all such steps as may be necessary or desirable to give effect to the foregoing including to amend the constating documents of the Corporation as described in the Circular.

SCHEDULE B

This Amalgamation Agreement is entered into as of the 30th day of November, 2009

B E T W E E N:

FRONT STREET MUTUAL FUNDS LIMITED,
a corporation subject to the *Canada Business Corporations Act*
("FSMFL")

- and -

FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD.,
a corporation subject to the *Canada Business Corporations Act*
("FSSOCF").

WITNESSES:

WHEREAS the parties hereto acting under the authority contained in the *Canada Business Corporations Act* have agreed to amalgamate upon the terms and conditions hereinafter set out;

AND WHEREAS the parties hereto have each made full disclosure to the other of all their respective assets and liabilities;

AND WHEREAS all required shareholder and regulatory approvals having been obtained, it is desirable that such amalgamation should be effected upon and subject to the terms and conditions of this Agreement;

NOW THEREFORE the parties hereto have agreed as follows:

1. Definitions In this agreement, in addition to the terms otherwise defined herein, the following term has the following meanings:
 - (a) "Act" means the *Canada Business Corporations Act*;
 - (b) "Amalgamated Corporation" means the corporation continuing from the amalgamation of the parties hereto;
 - (c) "Amalgamating Corporations" means the parties hereto;
 - (d) "Front Street Capital" means Front Street Capital 2004; and
 - (e) "Merger Date" means December 1, 2009, or such other date as the parties may agree.
2. Amalgamation Each of the Amalgamating Corporations hereby agrees to amalgamate under the provisions of the Act and to continue as one corporation under the terms and conditions hereinafter set out effective on the date specified in the Certificate of Amalgamation issued under the Act.
3. Name The name of the Amalgamated Corporation shall be "Front Street Mutual Funds Limited".

4. Registered Office Until changed in accordance with the Act, the place in Canada where the registered office of the Amalgamated Corporation shall be situated is the Province of Ontario, and the address of the registered office shall be Suite 600, 33 Yonge Street, Toronto, Ontario M5E 1G4.
5. Business There shall be no restrictions in the articles of amalgamation of the Amalgamated Corporation on the business the Amalgamated Corporation may carry on.
6. Prior Agreements The Amalgamated Corporation shall ensure that prior to or immediately following the amalgamation of the parties on the Merger Date, the material contracts of the parties are each terminated and replaced by a substantially similar agreement relating to the Amalgamated Corporation, or that one of such agreements is terminated and the other amended as necessary to reflect the amalgamation.
7. By-laws The by-laws of FSMFL shall, to the extent not inconsistent with this Agreement, be the by-laws of the Amalgamated Corporation, until repealed or amended. A copy of the proposed by-laws may be examined at the offices of the Amalgamated Corporation.
8. Classes and Number of Shares Authorized The Amalgamated Corporation shall be authorized to issue an unlimited number of shares of up to 1,000 classes of non-voting participating mutual fund shares, issuable in series (the “**Mutual Fund Shares**”) which shall either be sequentially numbered and designated or labelled with such other name or designation as the Board of Directors may determine, and an unlimited number of common shares (the “**Management Shares**”), each having the rights, privileges, restrictions and conditions as set forth in Schedule I to this Agreement.
9. Classes of Mutual Fund Shares Initially Created. The Amalgamated Corporation shall initially create six classes of Mutual Fund Shares, to be designated as (i) the Front Street Resource Fund class of shares, (ii) the Front Street Canadian Equity Fund class of shares; (iii) the Front Street Diversified Income Fund class of shares; (iv) the Front Street Small Cap Fund class of shares; (v) the Front Street Special Opportunities Canadian Fund class of shares; and (vi) the Front Street Money Market Fund class of shares.
10. Series of Mutual Fund Shares of each Class Initially Created. The Amalgamated Corporation shall initially create four series of each of the six classes of Mutual Fund Shares created pursuant to section 9 above, to be designated as Series A shares, Series B shares, Series F shares, and Series X shares.
11. Issued Shares The issued shares of the Amalgamating Corporations shall be converted into issued shares of the Amalgamated Corporation as follows:
 - (a) each issued and outstanding Front Street Resource Fund share, Series A of FSMFL shall be converted into one issued Front Street Resource Fund share, Series A of the Amalgamated Corporation;
 - (b) each issued and outstanding Front Street Resource Fund share, Series B of FSMFL shall be converted into one issued Front Street Resource Fund share, Series B of the Amalgamated Corporation;

- (c) each issued and outstanding Front Street Resource Fund share, Series F of FSMFL shall be converted into one issued Front Street Resource Fund share, Series F of the Amalgamated Corporation;
- (d) each issued and outstanding Front Street Diversified Income Fund share, Series A of FSMFL shall be converted into one issued Front Street Diversified Income Fund share, Series A of the Amalgamated Corporation;
- (e) each issued and outstanding Front Street Diversified Income Fund share, Series B of FSMFL shall be converted into one issued Front Street Diversified Income Fund share, Series B of the Amalgamated Corporation;
- (f) each issued and outstanding Front Street Diversified Income Fund share, Series F of FSMFL shall be converted into one issued Front Street Diversified Income Fund share, Series F of the Amalgamated Corporation;
- (g) each issued and outstanding Front Street Canadian Equity Fund share, Series A of FSMFL shall be converted into one issued Front Street Canadian Equity Fund share, Series A of the Amalgamated Corporation;
- (h) each issued and outstanding Front Street Canadian Equity Fund share, Series B of FSMFL shall be converted into one issued Front Street Canadian Equity Fund share, Series B of the Amalgamated Corporation;
- (i) each issued and outstanding Front Street Canadian Equity Fund share, Series F of FSMFL shall be converted into one issued Front Street Canadian Equity Fund share, Series F of the Amalgamated Corporation;
- (j) each issued and outstanding Front Street Money Market Fund share, Series A of FSMFL shall be converted into one issued Front Street Money Market Fund share, Series A of the Amalgamated Corporation;
- (k) each issued and outstanding Front Street Money Market Fund share, Series B of FSMFL shall be converted into one issued Front Street Money Market Fund share, Series B of the Amalgamated Corporation;
- (l) each issued and outstanding Front Street Money Market Fund share, Series F of FSMFL shall be converted into one issued Front Street Money Market Fund share, Series F of the Amalgamated Corporation;
- (m) each issued and outstanding common share of FSMFL shall be converted into one issued Management Share of the Amalgamated Corporation;
- (n) each issued and outstanding Series A share of FSSOCF shall be converted into one Front Street Special Opportunities Fund share, Series X of the Amalgamated Corporation;
- (o) each issued and outstanding Series B share of FSSOCF shall be converted into one Front Street Special Opportunities Fund share, Series B of the Amalgamated Corporation; and
- (p) each issued and outstanding Series F share of FSSOCF shall be converted into one Front Street Special Opportunities Fund share, Series F of the Amalgamated Corporation.

The shares to be so issued shall include fractions of shares, as applicable, to four decimal places. After the issue of a certificate of amalgamation confirming this Amalgamation Agreement, the shareholders of each of the Amalgamating Corporations shall, when requested by the Amalgamated Corporation, surrender any certificates representing shares held by them in the Amalgamating Corporations, and shall be entitled to receive certificates for shares of the Amalgamated Corporation.

12. Restrictions on Transfer There are no restrictions on the right to transfer shares of the Amalgamated Corporation.
13. Other Restrictions There shall be no other restrictions in the articles of amalgamation of the Amalgamated Corporation.
14. Directors Until changed in accordance with the Act, there shall be a minimum of three and a maximum of 25 directors of the Amalgamated Corporation. The first directors of the Amalgamated Corporation shall be:

| <u>NAME</u> | <u>ADDRESS</u> | <u>RESIDENT CANADIAN</u> |
|-----------------|--|--------------------------|
| Gary P. Selke | 41 Kingsway Crescent, Toronto, Ontario M8X 2R5 | Yes |
| David A. Conway | 98 Bamble Crescent, Stouffville, Ontario L4A 7Y7 | Yes |
| Linda D. Hryma | 1028 Valleycrest Circle, Oakville, Ontario L6H 6W8 | Yes |

15. Officers Until changed, the officers of the Amalgamated Corporation shall be:

| <u>NAME</u> | <u>ADDRESS</u> | <u>POSITION HELD</u> |
|-----------------|--|--|
| Gary P. Selke | As above | President and Chief Executive Officer |
| David A. Conway | As above | Vice President and Chief Financial Officer |
| Linda D. Hryma | As above | Assistant Secretary |
| Tracey N. Patel | 80 Hillside Ave. West, Toronto, Ontario M5P 1G1 | Corporate Secretary |

16. Financial Year End Until otherwise determined by resolution of the directors, the financial year of the Amalgamated Corporation shall end on the last day of October in each year.
17. Filing of Articles Upon the shareholders of the Amalgamating Corporations respectively adopting this Agreement, but subject to paragraph 19 hereof, articles of amalgamation in prescribed form shall be sent to the Director under the Act together with any other documents required by of the Act.
18. Effect of Amalgamation On the date shown in the certificate of amalgamation:
 - (a) the amalgamation of the Amalgamating Corporations and their continuance as one corporation shall become effective;
 - (b) the property of each of the Amalgamating Corporations shall continue to be the property of the Amalgamated Corporation;
 - (c) the Amalgamated Corporation shall continue to be liable for the obligations of each of the Amalgamating Corporations;

- (d) an existing cause of action, claim or liability to prosecution is unaffected;
- (e) a civil, criminal or administrative action or proceeding pending by or against any of the Amalgamating Corporations may be continued to be prosecuted by or against the Amalgamated Corporation;
- (f) a conviction against, or ruling, order or judgment in favour of or against, any of the Amalgamating Corporations may be enforced by or against the Amalgamated Corporation; and
- (g) the articles of amalgamation shall be deemed to be the articles of incorporation of the Amalgamated Corporation and the certificate of amalgamation shall be deemed to be the certificate of incorporation of the Amalgamated Corporation.

19. Termination This Agreement may be terminated without cause or reason by the board of directors of either of the Amalgamating Corporations, notwithstanding the approval of this Agreement by the shareholders of each of the Amalgamating Corporations, at any time prior to the issuance of a certificate of amalgamation confirming this Agreement.

IN WITNESS WHEREOF this Agreement has been duly executed by the parties hereto.

**FRONT STREET MUTUAL FUNDS
LIMITED**

By: _____
Name:
Title:

**FRONT STREET SPECIAL
OPPORTUNITIES CANADIAN FUND LTD.**

By: _____
Name:
Title:

Schedule I
to the Articles of Amalgamation for
FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND LTD.
and
FRONT STREET MUTUAL FUNDS LIMITED

Subject to the requirements of the Act (and in the case of any such amendment, re-enactment or replacement, any reference herein shall be read as referring to such amended, re-enacted or replaced provisions), the Common Shares of the Amalgamated Corporation and each class of Mutual Fund Shares shall have the rights, privileges, restrictions and conditions set forth herein.

1.1 RIGHTS, PRIVILEGES, RESTRICTIONS AND CONDITIONS ATTACHING TO ALL SHARES

1.1.1 Fractional Shares

The Amalgamated Corporation may issue fractions of shares. Fractional shares shall have all the rights, privileges, restrictions and conditions applicable to a whole share in the proportions which they bear to one whole shares, including the right to receive dividends and other distributions and the right to vote.

1.1.2 Amendment of Articles

In accordance with the provisions of the Act, the holders of shares of a class or series shall not be entitled to vote separately as a class or series upon a proposal to amend the Articles of the Amalgamated Corporation to:

- (a) increase or decrease any maximum number of authorized shares of such class, or increase any maximum number of authorized shares of a class having rights or privileges equal or superior to the shares of such class;
- (b) effect an exchange, reclassification or cancellation of all or part of the shares of such class; or
- (c) create a new class or shares equal or superior to the shares of such class;

and the shareholders of the Amalgamated Corporation shall have no dissenting right in respect to any such amending of the Articles (and for greater certainty, there shall be no right to vote or exercise dissent rights in respect of any series authorized to be issued in accordance with section 1.3.2).

1.1.3 Dividends

Subject to the requirements of the Act and any specific dividend provisions herein with respect to a particular class or series of shares, dividends may be paid as and when declared by the board of directors out of moneys of the Amalgamated Corporation properly applicable to the payment of dividends and the amount per share of each such dividend shall be determined by the directors of the Amalgamated Corporation at the time of declaration. The board of directors may declare a dividend on any class or series without declaring a dividend on any other class or series.

1.2 RIGHTS, PRIVILEGES, RESTRICTIONS AND CONDITIONS ATTACHING TO COMMON SHARES

1.2.1 Rights, Privileges, Restrictions

The holder of Common Shares shall be entitled:

- (a) to one vote per Common Share at all meetings of shareholders of the Amalgamated Corporation, except meetings at which only holders of another class or series of shares are entitled to vote separately as a class or series;
- (b) to receive any dividend declared with respect to the Common Shares by the Amalgamated Corporation, provided that the holders of the Common Shares shall not be entitled to receive dividends so long as any class or series of Mutual Fund Shares is issued and outstanding;
- (c) subject to the rights, privileges, restrictions and conditions attaching to any other class or series of shares of the Amalgamated Corporation, to receive the remaining property of the Amalgamated Corporation upon the liquidation, dissolution or winding-up of the Amalgamated Corporation or other distribution of the assets of the Amalgamated Corporation among its shareholders for the purpose of winding-up its affairs; and
- (d) at any time to make a redemption request to the Amalgamated Corporation, in writing, requiring the Amalgamated Corporation to redeem all or any part of the Common Shares held by such a holder at a redemption price per Common Share equal to:
 - (A) for redemptions at a time when any class or series of Mutual Fund Shares are issued and outstanding, \$1.00 per Common Share; and
 - (B) for redemptions at a time when no Mutual Fund Shares of any class or series are issued and outstanding, the amount determined by dividing the net asset value of the Amalgamated Corporation on the date on which payment for the Common Shares being redeemed is made by the number of Common Shares outstanding on such date;

plus in each case any unpaid dividends or other distributions declared payable thereon with a record date on or before the date on which the Common Shares are redeemed. Payment for Common Shares to be redeemed shall be calculated and made within three Business Days (as defined in section 1.3.1) after receipt by the Amalgamated Corporation of a duly completed redemption request. Common Shares which have been duly surrendered to the Amalgamated Corporation for redemption as aforesaid shall be deemed to be outstanding until, but not after, the close of business on the date on which payment of the redemption price therefore is made.

1.3 RIGHTS, PRIVILEGES, RESTRICTIONS AND CONDITIONS ATTACHING TO EACH CLASS OF MUTUAL FUND SHARES

Each class of Mutual Fund Shares of the Amalgamated Corporation shall have attached thereto the following rights, privileges, restrictions and conditions:

1.3.1 Interpretation

For the purposes of this section 1.3 and the following section 1.4:

“**Act**” means the *Canada Business Corporations Act* and the regulations thereunder;

“**Applicable Securities Laws**” means at any time the securities laws, regulations and rules in each province and territory of Canada and the requirements, rules and policies of the Canadian securities regulatory authorities that are then applicable to the Amalgamated Corporation in the circumstances, including, without limitation, National Instruments 81-102 *Mutual Funds* (“**National Instrument 81-102**”), and 81-106 *Investment Fund Continuous Disclosure* (“**National Instrument 81-106**”);

“**Articles**” means the articles of the Amalgamated Corporation, as amended from time to time;

“**Business Day**” means any day on which the Toronto Stock Exchange is open for trading;

“**Class**” means a particular class of Mutual Fund Shares provided for herein;

“**Class Expenses**” means in respect of a particular Class, those expenses (including taxes) of the Amalgamated Corporation that are charged to that Class;

“**Class Net Assets**” means in respect of a particular Class, those assets of the Amalgamated Corporation which are referable to that Class at the relevant time less those liabilities of the Amalgamated Corporation that are referable to that Class or to such assets at that time;

“**Disclosure Documents**” means at any time, the current prospectus (including a simplified prospectus and the documents incorporated by reference therein) or other offering document filed or delivered in connection with the distribution of Shares of a Class with the securities regulatory authorities in the jurisdictions in which Shares of such Class are qualified for distribution and such other publicly available documents relating to a Class, including financial statements, which have been filed with such authorities;

“**Eligibility Requirements**” means in respect of the various Classes and the various Series, the criteria established by the Amalgamated Corporation from time to time with respect to the right to acquire and hold the Shares of each such Class or Series as set forth in the Disclosure Documents;

“**including**” and “**includes**” shall be deemed to be followed by the statement “without limitation” and neither of such terms shall be construed to limit any word or statement which it follows to the specific or similar terms or matters immediately following it;

“**Net Change in Non-Portfolio Assets**” for a particular Class at the Valuation Time on a Business Day means, in each case to the extent referable to that particular Class or its Class Net Assets:

- (i) the aggregate of all income accrued on that Business Day, including cash dividends and distributions, interest and compensation;

less

- (ii) the Class Expenses accrued on that Business Day;

plus or minus

- (iii) any change in the value of any non-portfolio assets or liabilities stated in any foreign currency accrued on that Business Day, including cash, accrued dividends or interest and any receivables or payables;

plus or minus

- (iv) any gain or loss resulting from transfers of currencies accrued on that Business Day; and

plus or minus

- (v) any other items accrued on that Business Day determined by the board of directors of the Amalgamated Corporation to be relevant in determining net change in non-portfolio assets;

“Net Portfolio Transactions” for a particular Class at the Valuation Time on a Business Day means the impact of portfolio transaction referable to the Class Net Assets and the adjustments to the Class Net Assets as a result of a stock dividend, stock split or other corporate action recorded on that Business Day;

“Pricing Date” means in respect of the issue or redemption of a Share of a particular Series (including the redemption of a Share of a particular Series in exchange for Shares of another Series of the same Class or for Shares of a Series of another Class), the Business Day as of which the Series Net Asset Value per Share is calculated for the purpose of determining the price at which that Share is to be issued or redeemed in accordance with the Articles, Applicable Securities Laws and the procedures adopted from time to time by the board of directors of the Amalgamated Corporation;

“Redemption Charge” means a fee or charge payable with respect to a particular redemption of Shares of a particular Series as disclosed in the Disclosure Documents relating to such Series;

“Series” means, as applicable, Series A, Series B, Series F or Series X Shares of each Class of Shares the Amalgamated Corporation and, unless the board of directors of the Amalgamated Corporation otherwise determines in the articles of amendment designating a particular series, each additional series of Shares of each Class designated pursuant to section 1.3.2 hereof;

“Series Expenses” means in respect of a particular Series, the expenses of the Amalgamated Corporation that are charged to that Series;

“Series Net Asset Value” means in respect of a particular Series of a Class, the portion of the value of the Class Net Assets of that Class which is attributable to that Series determined in the manner set out in section 1.4.2 hereof at the relevant Valuation Time;

“**Series Net Asset Value per Share**” shall be determined in the manner set out in section 1.4.3 hereof;

“**Shares**” means the Mutual Fund Shares issuable by the Amalgamated Corporation from time to time in one or more Classes and series of Classes;

“**Shareholders**” means the owners (whether registered or beneficial) of Shares of any Class or any series of any Class, as the context may require;

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereunder; and

“**Valuation Time**” means the particular time on a Business Day at which the value of the Class Net Assets of a Class and the Series Net Asset Value of a Series is determined by or under the authority of the board of directors of the Amalgamated Corporation.

Unless otherwise defined herein, terms which are defined in the Act or in Applicable Securities Laws are used herein with the same meaning.

Any reference to a statute, regulation, rule or regulatory policy hereunder shall be deemed to be a reference to such statute, regulation, rule or regulatory policy as amended, re-enacted or replaced from time to time and references to specific parts, paragraphs and sections thereof shall include all amendments, re-enactments or replacements.

1.3.2 Additional Classes and Series

The board of directors of the Amalgamated Corporation may, at any time and from time to time, authorize the issue of any Class of Shares in one or more Series, in addition to those specifically provided for herein. Before any Shares of an additional Series are issued, the board of directors of the Amalgamated Corporation shall fix the number of Shares in such additional series (which may be an unlimited number of Shares) and shall determine, subject to any limitations set out in the Act and the Articles, the designation, rights, privileges, restrictions and conditions attaching to the Shares of such additional Series and shall send to the Director under the Act articles of amendment designating such additional Series.

1.3.3 References to Classes and Series

Notwithstanding the designation of the various Classes of Shares and Series of Shares provided for in the Articles, the board of directors of the Amalgamated Corporation shall have the authority to refer to any or all such Classes and Series in the Disclosure Documents or elsewhere by such name or names as the board may determine to be appropriate.

1.3.4 Liquidation, Dissolution or Winding-Up

In the event of the liquidation, dissolution or winding-up of the Amalgamated Corporation or other distribution of assets of the Amalgamated Corporation among its shareholder for the purpose of winding-up its affairs, holders of Shares of each Class and Series of a Class shall, in priority to any distribution of the property and assets of the Amalgamated Corporation among the holders of Common Shares, be entitled to receive an amount, in cash or property, equal to the value of the Class Net Assets referable to such Class and Series, but shall not be entitled to participate in the distribution of any other assets or property of the Amalgamated Corporation.

1.3.5 Non-Voting

Unless otherwise required by the Act or by Applicable Securities Laws, Shareholders shall not, as holders of Shares of a Class or a Series of a Class, be entitled to receive notice of or to attend any meeting of shareholders of the Amalgamated Corporation or to vote at any such meeting. If holders of Shares of a Class or a Series are entitled to vote by the Act or by Applicable Securities Laws, such Shareholders shall not be entitled to vote separately as a class or series on any matter unless a separate vote is required by the Act or applicable Securities Laws (subject to further restrictions set out in section 1.1.2).

At any meeting of holders of Shares of a Class or Series, Shareholders shall have one vote for each whole Share held by them. The formalities to be observed with respect to the giving of notice of any such meeting or any adjourned meeting, the quorum required therefore and the conduct thereof shall be those from time to time prescribed by the by-laws of the Amalgamated Corporation with respect to meetings of Shareholders, or if not so prescribed, as required by the Act as in force at the time of the meeting or as otherwise required by law.

1.4 RIGHTS, PRIVILEGES, RESTRICTIONS AND CONDITIONS ATTACHING TO EVERY SERIES OF SHARES OF A CLASS OF MUTUAL FUND SHARES

1.4.1 Series of Shares

In addition to the rights, privileges, restrictions and conditions set out in section 1.1 and section 1.3, every Series of Shares of a Class shall have attached the following rights, privileges, restrictions and conditions.

1.4.2 Issuance of Shares of Series

The consideration for the issue of Shares of a particular Series subscribed for on the first date that subscriptions are received by or on behalf of the Amalgamated Corporation for Shares of that Series shall be that consideration determined by the board of directors of the Amalgamated Corporation. Thereafter, Shares of a particular Series may be issued from time to time by the Amalgamated Corporation at the Series Net Asset Value per Share for such Series determined at the Valuation Time on the relevant Pricing Date. Subject to the Act and Applicable Securities Laws, Shares may be issued for cash, in Canadian funds or in the currency or currencies in which the Series Net Asset Value per Share is then being determined, or for property. If Shares of a Series are issued on a Pricing Date on the reinvestment of dividends or other distributions declared payable after the Valuation Time on such Pricing Date, a second Series Net Asset Value per Share shall be calculated for the purpose of such issuance in accordance with section 1.4.3.

1.4.3 Series Net Asset Value

The Series Net Asset Value of a particular Series as of the Valuation Time on a Business Day shall be equal to:

- (i) the Series Net Asset Value of such Series last calculated;

plus

- (ii) the increase in the assets attributable to that Series as a result of the issue of Shares of that Series or the exchange of Shares of another Class or Series into Shares of that Series since the previous calculation of Series Net Asset Value;

minus

- (iii) the decrease in the assets attributable to that Series as a result of the redemption of Shares of that Series (including on the exchange of Shares out of that Series) since the previous calculation of Series Net Asset Value;

plus or minus

- (iv) the portion of the Net Change in Non-Portfolio Assets attributable to such Series since the previous calculation of Series Net Asset Value;

plus or minus

- (v) the portion of the Net Portfolio Transactions attributable to such Series since the previous calculation of Series Net Asset Value;

plus or minus

- (vi) the portion of market appreciation or depreciation of the Class Net Assets attributable to such Series since the previous calculation of Series Net Asset Value to the extent not reflected in (v) above;

minus

- (vii) any Series Expenses attributable to that Series since that previous calculation of Series Net Asset Value;

plus or minus

- (viii) any other items which are determined by the board of directors of the Amalgamated Corporation to be relevant in the circumstances in fairly determining Series Net Asset Value.

The Series Net Asset Value for each Series shall be determined in accordance with such valuation rules and procedures as may from time to time be required by Applicable Securities Laws or be approved by the board of directors of the Amalgamated Corporation, and in all cases will be determined in accordance with Canadian generally accepted accounting principles (except to the extent deviations therefrom are permitted by National Instrument 81-106 or by exemptive relief from that Instrument provided by the Canadian securities regulatory authorities). Series Net Asset Value shall be determined in Canadian currency or may be determined in any other currency at the discretion of the board of directors of the Amalgamated Corporation.

The Series Net Asset Value established at any time and from time to time by or under the authority of the board of directors of the Amalgamated Corporation in accordance with the Articles shall be conclusive and binding upon all Shareholders of each Series.

The Series Net Asset Value per Share shall be computed by the Amalgamated Corporation as of the Valuation Time on each Business Day by dividing the applicable Series Net Asset Value by the total number of Shares of such Series then outstanding as at the relevant Valuation Time, prior to any issuance or redemption (including an exchange) of Shares of such Series to be processed by the Amalgamated Corporation immediately after the Valuation Time on that Business Day. On any Business Day that a dividend or other distribution is declared payable to Shareholders of a Series following the Valuation Time on such Business Day, a second Series Net Asset Value shall be calculated for that Series, which shall be equal to the first Series Net Asset Value calculated on that Business Day minus the aggregate amount of the dividend or other distribution and a second Series Net Asset Value per Share shall be determined for the purpose of any reinvestment of such dividend or other distribution in additional Shares of the Series. Any Series Net Asset Value per Share so determined shall remain in effect until the next time the applicable Series Net Asset Value per Share is determined.

The Amalgamated Corporation shall not be required to determine the Series Net Asset Value or Series Net Asset Value per Share for a Series during any period in which the right of redemption of Shares of the relevant Series has been suspended pursuant to the provisions of section 1.4.6 and the Amalgamated Corporation shall not accept any subscriptions for Shares of that Series during such period.

1.4.4 Dividends

Subject to the requirements of the Act, dividends and other distribution may be paid in respect of the Shares of a particular Series at such times, in such amounts and in such currency or currencies as may be declared by the board of directors of the Amalgamated Corporation and whether or not dividends or other distributions have been or are being paid on any other Series of Shares of the same Class, subject to the prior right of holders of Shares of each Series to receive the amount set out in section 1.4.7. The Amalgamated Corporation may elect, in respect of the entire amount of any dividend, that such dividend be deemed to be a capital gains dividend under the Tax Act and any analogous provisions of provincial law.

1.4.5 Redemption of Shares

(a) Redemption by Shareholder for Cash

Each Shareholder shall be entitled at any time to make a redemption request to the Amalgamated Corporation, in such form and manner as may be specified by the Amalgamated Corporation from time to time, requiring the Amalgamated Corporation to redeem all or any part of the Shares of a Series held by such Shareholder at the Series Net Asset Value per Share for each Share being redeemed determined at the Valuation Time on the relevant Pricing Date.

(b) Redemption by Corporation

(i) The Amalgamated Corporation may redeem all of the Shares of a particular Series owned by a Shareholder at the Series Net Asset Value per Share for each Share being redeemed determined at the Valuation Time on the relevant Pricing Date, if the Shareholder no longer satisfies the Eligibility Requirements with respect to Shares of such Series. A Shareholder shall be notified when the Amalgamated Corporation becomes aware that the holder no longer satisfies the Eligibility Requirements of a Series and allowed at least 30 days from the date

such notice is sent by the Amalgamated Corporation to subscribe for additional Shares of the relevant Series or to otherwise satisfy the relevant Eligibility Requirements before such redemption is effected by the Amalgamated Corporation. In the event that a Shareholder does not satisfy the Eligibility Requirements within such period, the Amalgamated Corporation may, at any time thereafter, on such Pricing Date as may be fixed by the Amalgamated Corporation, at its option, redeem all of the Shares of the Series held by such Shareholder or exchange all such Shares for Shares of another Series of the same Class that the holder is eligible to acquire in accordance with the provisions set out in section 1.4.5(d) below.

- (ii) The Amalgamated Corporation may, from time to time, without notice to a Shareholder, on such Pricing Date as may be fixed by the Amalgamated Corporation, redeem any Shares of a Series owned by the Shareholder at the Series Net Asset Value per Share for each Share being redeemed determined at the Valuation Time on that Pricing Date, to the extent necessary to pay any outstanding fees, charges and expenses applicable to such Shareholder (and the Amalgamated Corporation shall have a lien on all Shares of a Shareholder for the purpose of securing such amounts) or if the redemption of the Shares is considered necessary by the board of directors of the Amalgamated Corporation to ensure that the Amalgamated Corporation complies with the provisions of the Tax Act governing mutual fund corporations or other legislation or regulatory requirements applicable to the Amalgamated Corporation or to ensure that the Amalgamated Corporation does not become subject to the legislation of a foreign jurisdiction.
- (iii) The Amalgamated Corporation may on such Pricing Date as may be fixed by the Amalgamated Corporation and after not less than 60 days' notice to holders of Shares of a particular Series, redeem all of the outstanding Shares of the Series at the Series Net Asset Value per Share of each Share being redeemed determined at the Valuation Time on that Pricing Date or exchange all such Shares for Shares of another Series of the same Class in accordance with the provisions set out in section 1.4.5(d) below.

(c) Payment upon Redemption

The Amalgamated Corporation shall pay to each Shareholder whose Shares are to be redeemed pursuant to section 1.4.5(a) or 1.4.5(b) (other than in exchange for Shares of another Series of Shares), out of the relevant Class Net Assets, an amount equal to the relevant Series Net Asset Value per Share for each Share being redeemed multiplied by the number of Shares to be redeemed, and may deduct therefrom the aggregate Redemption Charge (if any) applicable to the redeemed Shares and pay the same to the person entitled thereto on behalf of the Shareholder. Payment shall be made to the redeeming Shareholder within such time and in such manner as may be determined by the Amalgamated Corporation in accordance with Applicable Securities Laws and procedures adopted by the board of directors of the Amalgamated Corporation from time to time, provided such redemption documentation as may be required by the Amalgamated Corporation from time to time has been received by the Amalgamated Corporation. Subject to Applicable Securities Laws, the amounts payable by the Amalgamated Corporation in connection with the redemption of Shares may be paid in cash or in property and if the subscription price for the Shares being redeemed has been

paid in a currency other than Canadian dollars, in such currency. Subject to payment of the aggregate redemption proceeds as aforesaid, Shares shall be redeemed and cancelled immediately after the Valuation Time on the relevant Pricing Date, the Shareholder shall thereafter cease to have further rights with respect to such Shares and the Amalgamated Corporation shall be discharged from all liability to the Shareholder with respect to the Shares so redeemed and the amount so paid.

(d) Exchange of Shares

A Shareholder shall have the right at any time to require the exchange of Shares of a particular Series (“**Old Shares**”) in exchange for Shares of the corresponding Series of any other Class and, provided the Shareholder satisfies the Eligibility Requirements therefor, for Shares of another Series of the same Class or of another Class (in both cases, “**New Shares**”), except to the extent that the board of directors of the Amalgamated Corporation determines from time to time that particular Classes or Series of Shares are not eligible for such exchange. A Shareholder wishing to exercise such right shall make an exchange request to the Amalgamated Corporation, in such form and manner as may be specified by the Amalgamated Corporation from time to time, and, on the relevant Pricing Date, the Amalgamated Corporation shall issue that number of Shares equal to the quotient obtained when the product obtained from multiplying the number of Old Shares by the Series Net Asset Value per Share for each Old Share being exchanged determined at the Valuation Time on that Pricing Date is divided by the Series Net Asset Value per Share of the New Shares determined at the Valuation Time on that Pricing Date. If a Redemption Charge or other fee is payable in respect of any such redemption by way of exchange, it shall be paid through redemption of sufficient Shares in accordance with section 1.4.5(b)(ii) hereof.

The Amalgamated Corporation may exchange Old Shares of a Shareholder for New Shares of a Shareholder in accordance with the provisions of this section 1.4.5(d) subject to the limitations of section 1.4.5(b)(i) or 1.4.5(b)(iii) above, read *mutatis mutandis*.

(e) Redemption on Loss of Tax Status

If at any time the number of shareholders of the Amalgamated Corporation falls below 150 and the Amalgamated Corporation loses its status as a “mutual fund corporation” in accordance with Tax Act, the board of directors of the Amalgamated Corporation may determine by unanimous resolution and without the further consent of Shareholders to redeem all the outstanding Shares of a Series held by such Shareholder at the Series Net Asset Value per Share for each Share being redeemed determined at the Valuation Time on the relevant Pricing Date. Such Shares shall be redeemed in accordance with the provisions of section 1.4.5(c) above, read *mutatis mutandis*.

1.4.6 Temporary Suspension of Redemption and Exchange Rights

Notwithstanding anything herein contained or the giving of any notice provided for herein, the Amalgamated Corporation may at any time suspend the right to redeem or exchange Shares of a particular Series of a Class and may postpone the date of payment upon redemption when permitted to do so by National Instrument 81-102 or other Applicable Securities Laws.

In the event of such suspension, a Shareholder who has requested the redemption or exchange of some or all of the Shares of a Series for which the Series Net Asset Value has not yet been

calculated may either withdraw the request or (i) in the case of redemption, receive payment based on the Series Net Asset Value per Share for the Series next calculated after termination of the suspension or (ii) in the case of an exchange, have the Shares exchanged on the basis of the Series Net Asset Value per Share next calculated after termination of the suspension.

The Amalgamated Corporation may redeem or exchange some of the Shares of a Series for which redemption or exchange has been requested by Shareholders and postpone or suspend the redemption of the remaining Shares of the Series of such Shareholders pursuant to the provisions of this section 1.4.6. Any partial redemption or exchange shall be made *pro rata* according to the aggregate number of Shares of the Series tendered for redemption or exchange by each such Shareholder.

1.4.7 Liquidation, Dissolution or Winding-Up

Subject to section 1.3.4, in the event of the liquidation, dissolution or winding-up of the Amalgamated Corporation or other distribution of assets of the Amalgamated Corporation among its shareholders for the purpose of winding-up its affairs, the holders of Shares of each Series of a particular Class shall be entitled to receive in respect of each such Share an amount, in cash or in property, equal to the Series Net Asset Value per Share for Shares of the relevant Series determined as of the date of distribution. The Amalgamated Corporation may deduct any applicable Redemption Charge from such proceeds and pay the same to the person entitled thereto on behalf of the Shareholder.

SCHEDULE C

ORGANIZATION AND MANAGEMENT OF THE FUNDS

The table below provides you with information about the management of the Funds.

| | |
|---|--|
| Manager: Front Street Capital 2004 33 Yonge Street, Suite 600 Toronto, Ontario M5E 1G4 | Front Street Capital 2004 is responsible for fulfilling the role of manager of the Fund, including providing or arranging for all required administrative services to and operations of each of the Funds, the management of the Fund's investment portfolio and for distributing or arranging for the distribution of the Shares and promotes the sale of the Shares. |
| Portfolio Advisor: Front Street Investment Management Inc. Toronto, Ontario | Front Street Investment Management Inc. provides investment advice to each of the Funds. The Portfolio Advisor is owned by the same group of securityholders who control Front Street Mutual Funds Limited and the Manager. |
| Prime Broker/Custodian: | The prime broker/custodian has physical custody of the securities in each of the Fund's portfolio. The Fund's prime broker/custodian is RBC Dexia Investor Services Trust. |
| Registrar/Administrator: Citigroup Fund Services Canada, Inc. Mississauga, Ontario | The registrar keeps track of the registered owners of shares of the Funds in a register of Shareholders of the Fund and provides administrative services to the Manger in respect of the Fund. |
| Auditor: Segal LLP Toronto, Ontario | The auditor examines and verifies the Fund's annual financial statements. |
| Independent Review Committee: | <p>In accordance with NI-81-107, the Manager has appointed an Independent Review Committee. The mandate of the Independent Review Committee is to review, and to provide input on, the Manager's written policies and procedures that deal with conflict of interest matters in respect of the Fund and to review and, in some cases, approve conflict of interest matters referred to it by the Manager.</p> <p>Each member of the Independent Review Committee is independent of us, the Fund and any party related to us or the Manager. The Independent Review Committee will prepare, at least annually, a report of its activities for Shareholders which is available on the Internet site of the Manager and its affiliates at www.frontstreetcapital.com, or at Shareholders' request at no cost, by calling us at 416-364-1990 or toll-free at 1-800-513-2832 or by e-mailing us at advisorservice@frontstreetcapital.com.</p> <p>Additional information about the Independent Review Committee, including the names of the members, is available in the Annual Information Form.</p> |

PURCHASES, SWITCHES, CONVERSIONS AND REDEMPTIONS

Purchases and Redemptions

You may buy Series A, B or F Shares by contacting your broker, dealer or advisor. As noted below, Series X Shares are not available for purchase from the Fund and will only be issued on an exchange of Series X Shares of one Fund for Series X Shares of another Fund. Shares are categorized into series, each of which is targeted at a specific type of investor. Series A Shares are “Low-load”, Series B Shares are “front-end loaded” and Series F Shares have “no load” and are available to investors who participate in fee-based programs through their broker, dealer or advisor (see “*Fees and Expenses – Fees and Expenses Payable Directly by You*”). These investors pay an annual fee for ongoing financial planning advice. We reduce or eliminate the commissions or service fees paid to an investor’s broker, dealer or advisor in respect of Series F Shares.

The issue price of the Shares is based on the Net Asset Value of the applicable Series of Shares next determined after the receipt by the relevant Fund of a purchase order.

Holdings of Series X Shares of this Fund will only be permitted to exchange those Shares for Series X Shares of the other Funds; and the Series X Shares of the Funds will not be issued for cash but will be issued only in connection with exchanges of Series X Shares from one Fund to another. Holders of Series X Shares of this Fund wishing to make a further investment in the Fund should purchase Series A or Series B Shares (or, if eligible, Series F Shares).

You can only buy Series F Shares if we and your dealer or advisor approves it first. Your dealer or advisor’s participation in the Series F program is subject to the Manager’s terms and conditions. If we become aware that you no longer qualify to hold Series F Shares, we may exchange your securities to Series A or B Shares of the same Fund after we give you 10 days notice.

Your purchase order should be sent to your dealer or advisor. Cheques should be made payable to “Front Street Special Opportunities Canadian Fund”, or your dealer who purchases Shares on your behalf.

We may reject a purchase order within two days of receiving it. If we reject your order, we will refund your money without interest immediately.

Your initial investment in Series A, B or F Shares must be at least \$500. Subsequent investments in Series A, B or F Shares, must be at least \$100. Any exchange of Series X Shares from the Fund to another must in a minimum amount of \$100. Purchases under a pre-authorized purchase plan providing for automatic withdrawal from your bank account may be in minimum amounts of \$100.

You can buy Shares through pre-authorized monthly withdrawals from your bank account. Each investment must be at least \$100. You can get an authorization form to start the plan from us or from your dealer or advisor. We do not charge for this service, although your financial institution may charge you. For Series B Shares, normal sales commissions are charged at the time of each purchase. Purchases can be made on any business day of each month, at the Net Asset Value per Series security on that day. We may change the minimum withdrawal amount, or terminate the service, by written notice.

You may also purchase Shares by regular or periodic payment. Please contact your dealer or advisor for details.

If your cheque is returned or we do not otherwise receive payment within three business days (not including the day the Fund Net Asset Value is determined), we will cancel your order and redeem the

Shares. If we redeem the Shares for more than you paid, the difference will go to the relevant Fund. If we redeem the Shares for less than you paid, your dealer or advisor will be required to reimburse the relevant Fund for the difference, including any additional costs, expenses and lost interest. You may then be responsible to your dealer or advisor depending upon your arrangements with your dealer or advisor.

We do not issue certificates for Shares, but we will send you a confirmation statement relating to all purchases and redemptions of Shares within 15 days of the transaction.

You may redeem Shares by providing us with a written request. Your signature must be guaranteed by a Canadian chartered bank, a trust company, or a dealer acceptable to us. When redeeming Shares you must indicate the number of Shares you wish to redeem. This number may include fractional Shares. The redemption price of Shares of a Fund is based on the Net Asset Value of the applicable Series of Shares next determined after receipt of a written request for redemption.

As a security measure, telephone or fax redemption requests will normally not be accepted. When you redeem Shares through FundSERV or directly through the registrar of the Fund, we will send you the proceeds within three business days after the calculation date for the Net Asset Value per Series of Shares used in establishing the redemption price. There is no minimum notice period for redemption orders.

If we have not received all documentation needed to settle your redemption request within 10 business days, we are required under securities legislation to repurchase your Shares. If the redemption proceeds are less than the repurchase amount, we will pay the Fund the difference and may seek reimbursement from your dealer or advisor, together with any banking costs charged to the Fund. Your dealer or advisor may be entitled to recover any losses from you. If the redemption proceeds are greater than the repurchase amount, the Fund will keep the difference.

The Shareholders who hold Shares with a minimum Net Asset Value per series of at least \$10,000, or another amount as determined by the Fund in its sole discretion, may also be given the opportunity to request automatic monthly redemptions of Shares.

See “*Fees and Expenses – Fees and Expenses Payable Directly by You*” for more information on the fees and expenses you may have to pay when you buy or redeem Shares.

Switches and Conversions

On one week’s notice and subject to restrictions set out below, you may switch Shares of a particular Series in the Fund for Shares of the same Series in one or more of the other Funds if you meet the minimum initial investment and minimum account balance requirements. We will only switch your Shares if you complete the necessary documents and client consent and send them to us, and if the minimum subscription requirements of the other mutual fund are met. You can switch through your dealer or advisor. Your dealer or advisor may charge you a switch fee.

Switching of Shares is not considered a disposition for income tax purposes, and so no gain or loss will arise as a result of a switch. See “*Income Tax Considerations for Investors*” in the Simplified Prospectus for Front Street Mutual Funds. For greater certainty, you may not switch directly from one series of the Fund to a different Series of one or more of the other Funds.

On one week’s notice, you can convert from one Series of Shares (other than Series X Shares) to another Series of Shares of the Fund, as long as you meet the minimum initial investment and minimum account balance requirements, as the case may be and you can only convert Series A Shares that have been held for a minimum of three years, such that the deferred sales charge period has expired. This is called a

“conversion”. You can convert through your dealer or advisor, by having them complete a buy/sell transaction for which no documents are required to be filed with the Fund. Your dealer or advisor may charge you a conversion fee. A conversion does not result in a disposition for tax purposes and consequently does not result in a capital gain or capital loss to a converting Shareholder. See *“Income Tax Considerations for Investors”* in the Simplified Prospectus for Front Street Mutual Funds. Please note that converting the Front Street Diversified Income Fund, Series A Shares to Series B Shares will result in a higher trailing commission being charged due to differences in characteristics between those Series.

Short-Term Trading

In general, the Fund is intended to be long-term investments. Some investors may seek to trade or switch Shares frequently to try to take advantage of the difference between the Fund’s Net Asset Value and the value of the Fund’s portfolio holdings. This activity is sometimes referred to as “market timing”. Frequent trading or switching in order to time the market can hurt the Fund’s performance, affecting all the investors in the Fund by forcing the Fund to keep cash or sell investments to meet redemptions. We use a combination of methods to detect and deter market timing activity, including monitoring trading activity in our client accounts and, through this monitoring, declining certain trades, and imposing short-term trading fees.

The Fund reserves the right to limit switches to three times per year. Investors who exceed these trading parameters may be redeemed by Front Street Mutual Funds Limited.

If you redeem or switch Shares within 90 days of purchase, we may charge a short-term trading fee on behalf of the Fund. This is in addition to any redemption or switch fees that you may pay. Each additional switch counts as a new purchase for this purpose. No short-term trading fees are charged on redemptions that may occur when an investor fails to meet the minimum investment amount for the Funds. See *“Fees and Expenses – Fees and Expenses Payable Directly by You”*.

Price of a Share

The Fund’s Net Asset Value on a Valuation Day shall be the sum of each of the Series of the Shares’ Net Asset Values on that Valuation Day. The price of a Share is equal to the Fund’s Net Asset Value attributable to a Series, divided by the number of outstanding Shares in that Series. The Fund’s Net Asset Value is determined by taking the Fund’s assets and deducting its liabilities. The Fund Net Asset Value for a Series of Shares is determined by taking the Series’ proportionate share of the Fund’s common assets less common liabilities and deducting from this amount all liabilities that relate solely to a specific Series and dividing the remainder by the number of outstanding Shares of the Series. For purposes of Share issue or redemption, the issue or redemption price is based on the Net Asset Value per Series of Shares next determined after receipt of a written request for purchase or redemption. The common liabilities are the costs and expenses and other similar amounts common to all Series of Shares and not specifically referable to an individual Series of Shares as determined by the Fund.

The Fund’s Net Asset Value per Series of Shares will be determined at closing on each Valuation Day or such other time as the Fund may determine.

Suspension of Redemptions

As permitted by the Securities Regulators, we may suspend your right to redeem Shares:

if normal trading is halted or suspended on all stock exchanges within or outside Canada on which securities are listed which represent more than 50% by value of the Fund's total assets, without allowance for liabilities; or

with the consent of the Securities Regulators, for any period during which we determine that disposal of the assets owned by the Fund is not reasonably practicable or that it is not reasonably practicable to determine fairly the value of the Fund's assets.

If a Fund suspends the right to sell Shares, it will also suspend the right to purchase Shares.

The suspension may, at the discretion of the Fund, apply to all requests for redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. If you make a request for redemption during a suspension (unless the suspension lasts for less than 48 hours), you will be advised by the Fund of the suspension and that the redemption will be in effect on the basis of the Net Asset Value per series of Shares determined on the first Valuation Day following the suspension termination. You will have and will (unless the suspension lasts for less than 48 hours) be advised that you have the right to withdraw your request for redemption. The suspension will terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. To the extent that it is not inconsistent with rules and regulations promulgated by any government body having jurisdiction over a Fund, any declaration or suspension made by the Fund shall be conclusive.

FEES AND EXPENSES

The table below lists the fees and expenses that you may have to pay if you invest in the Fund. You may have to pay some of these fees and expenses directly. The Fund may have to pay some of these fees and expenses, which will, therefore, reduce the value of your investment in the Fund.

The consent of Shareholders will be obtained if (i) any change is made in the basis of the calculation of a fee or expense charged to the Fund or Shares, or directly to you by us or the Fund in connection with the holding of Shares, in a way that could result in an increase in charges to the Fund, Shares or you or (ii) a fee or expense is introduced which is charged to the Fund or Shares, or directly to you by us or the Fund in connection with the holding of Shares, that would result in an increase in charges to the Fund, a Share or you, unless the change is a result of a change made by a third party at arm's length to the Fund or unless applicable securities laws do not require the consent of Shareholders to be obtained. In that case, Shareholders will be sent a written notice at least 60 days before the effective date of the change, if required under applicable securities laws.

If the Fund holds shares or units of another mutual fund: (a) there are fees and expenses payable by the other mutual fund in addition to the fees and expenses payable by the Fund; (b) no management fees or incentive fees are payable by the Fund that, to a reasonable person, would duplicate a fee payable by the other mutual fund for the same service; (c) no sales fees or redemption fees are payable by the Fund in relation to its purchases or redemptions of securities of the other mutual fund if the other mutual fund is managed by the Portfolio Advisor; and (d) no sales or redemption fees are payable by the Fund in relation to its purchases or redemptions of securities of the other mutual fund that, to a reasonable person, would duplicate a fee payable by an investor in the Fund.

Fees and Expenses Payable by the Fund

Management Fees: The Manager is entitled to a management fee at the end of each month, payable monthly in arrears, from each Fund series of 1/12 of 1.5% of the Net Asset Value for the Fund. Additionally, the Manager will be paid a further management fee per annum, which fee is equal to the service fee that the Manager pays to dealers whose clients hold Series A or B Shares, equal to 1.0% of the Net Asset Value in respect of the Series A and Series B shares of the Fund and 0.5% of the Net Asset Value in respect of the Series X shares of the Fund.

Performance Fees: The Fund will pay to the Manager in respect of each fiscal quarter of the Fund a performance fee if the percentage gain in the Net Asset Value per security of a series of securities of the Fund over the preceding fiscal quarter or quarters since a performance fee was last payable, exceeds the percentage gain or loss of the benchmark (the “**Benchmark**”), over the same period, and provided that the Net Asset Value per security of the Fund (including distributions) is greater than all previous values at the end of each previous fiscal quarter in which a performance fee was paid. The performance fee will be equal to this excess return per security multiplied by the number of securities outstanding at the end of the quarter multiplied by 20%. The Benchmark for the Fund is the S&P/TSX Composite Index.

Operating Expenses: The Fund is responsible for payment of all Fund operating and administrative expenses. The main components of these expenses are legal and accounting fees, printing expenses, reporting issuer filing and sustaining fees (including the portion of the regulatory fees paid by us that are attributable to the Fund), custodial fees, fees payable to and expenses incurred by the Independent Review Committee (as described below) and expenses of making distributions to Shareholders. The Manager may, in some cases, pay a portion of the Fund’s operating expenses. As the Fund has more than one Series, the Shareholders 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 Manager may, at its discretion, add a service charge of up to 15% of the costs incurred for any operating and administrative services charged to the Fund other than the management services which are already included in the management fee rate which it receives from the Fund.

In addition, the Fund may incur brokerage commissions and other portfolio transaction costs, including any goods and services tax applicable to such costs. Because they are not included in the MER, the trading expenses are not included as part of operating expenses.

Independent Review Committee – Each Member of the Independent Review Committee is entitled to an annual retainer of \$25,000 (\$30,000 for the chair) and an additional fee of \$1,000 per meeting for each meeting attended. Members are also entitled to be reimbursed for all reasonable expenses incurred in the performance of their duties. The annual retainer is apportioned among the Funds for which the Independent Review Committee acts.

Fees and Expenses Payable Directly by You

Sales Charges: The Fund and the Manager do not charge a fee or commission when you purchase Shares. A dealer or advisor will receive commission of 3.0% from the Manager at the time of purchase of Series A Shares of the Fund, and may charge you a commission of up to 5% at the time of purchase of Series B Shares, which will reduce the amount of money you invest in the Series B Shares. This is a separate agreement between you and your dealer or advisor.

Switch Fees: The Fund and the Manager do not charge fees to exchange Shares between the Funds, provided such exchange occurs at least 90 days after the purchase (see “*Short-Term Trading Fees*” below). Your dealer or advisor may charge you a switch fee.

Redemption Fees: You will pay a deferred sales charge if you purchase Series A Shares and redeem your Shares within 3 years from the date of purchase. Such a fee will not be payable in the case of a switch of Series A Shares from the Fund to another Fund. The charge is based on the original cost of your Series A Shares and how long you held them. The Fund will deduct the charge from the value of Series A Shares you redeem and pay such amount to the Manager. The table below shows the deferred sales charge schedule:

| Series A Shares Redeemed | Redemption Charge |
|------------------------------------|-------------------|
| During the first 18 months | 3.0% |
| Between the first 18 and 36 months | 2.0% |
| After the first 36 months | Nil |

You will also pay a deferred sales charge if you redeem your Series X Shares within 3 years from the date of purchase of the Series A shares of Front Street Special Opportunities Canadian Fund Ltd. Such a fee will not be payable in the case of a switch of Series X Shares from the Fund to another Fund. The charge is based on the original cost of your Series A shares of Front Street Special Opportunities Canadian Fund Ltd. and how long you held them and the Series X Shares issued in respect thereof. The Fund will deduct the charge from the value of Series X Shares you redeem and pay such amount to the Manager. The table below shows the deferred sales charge schedule:

| Series X Shares Redeemed | Redemption Charge |
|------------------------------------|-------------------|
| During the first 18 months | 5.0% |
| Between the first 18 and 36 months | 3.0% |
| After the first 36 months | Nil |

Automatic Withdrawal: Fees may be charged for automatic withdrawals by your financial institution.

| | |
|---------------------------|---|
| Short-Term Trading Fees: | You may be charged a short-term trading fee of up to 2% of the Net Asset Value per Share of the Series you switch or redeem in addition to any redemption fee that may apply if you switch or redeem within 90 days of purchase of a Share. |
| Bank Charges: | You will be charged the amount of any charges levied by a bank or other financial institution for any of your cheques that are dishonoured and returned to the Fund or for any charge related to electronic fund transfers. |
| Registered Tax Plan Fees: | A registered tax plan may be available through the Manager or your dealer or advisor. You should contact that Manager or your dealer or advisor directly about these services and the related costs. |

FUND DETAILS FOR FRONT STREET SPECIAL OPPORTUNITIES CANADIAN FUND

| | |
|----------------------------|--|
| Type of Fund | Special opportunities Canadian fund. |
| Date Fund Was Started | April 12, 1990. ⁽¹⁾ |
| Securities Offered | Series A, B, F and X shares of a mutual fund corporation. |
| Registered Tax Plan Status | Shares of the Fund are qualified investments for RRSPs, RRIFs, RESPs, DPSPs, RDSPs and TFSA's under the Tax Act. |
| Year End | October 31. |

⁽¹⁾ The Front Street Special Opportunities Canadian Fund is expected to be formed from the amalgamation effective December 1, 2009 of Front Street Special Opportunities Canadian Fund, a class of shares of Front Street Mutual Funds Limited, and Front Street Special Opportunities Canadian Fund Ltd., a mutual fund corporation initially started on April 12, 1990.

What Does The Fund Invest In?

Investment Objectives

The investment objective of the Fund is to seek capital appreciation through investment in equity securities of companies whose product, service or management team the Portfolio Advisor believes can realize value and growth. The Portfolio Advisor may rely on “top down” fundamental research to identify equity securities of companies in a particular industry or sector, but portfolio diversification will be driven primarily from the Fund’s investments, as opposed to targeting sector weights.

The fundamental investment objective of the Fund cannot be changed without the approval of investors who own shares of the Fund.

Investment Strategies

The Portfolio Advisor will employ alternative investment strategies, including event-related special situations investing (including, for instance, investment in securities of issuers undergoing or undertaking tenders, mergers and acquisitions, liquidations, spin-offs and recapitalizations) and the purchase of undervalued shares in the equity markets.

The Fund may invest in foreign securities up to a maximum of 40% of the total cost of the Fund's property. Typically, the Fund invests between 0 - 10% of the total cost of the Fund's property in foreign securities.

From time to time the Fund may use clearing corporation options and listed warrants ("permitted derivatives") as permitted by Canadian securities regulators and consistent with the investment objectives and strategies of the Fund. The Fund may use these permitted derivatives for hedging and non-hedging purposes.

As a complement to the Fund's primary discipline of buying securities with the expectation that they will appreciate in value, the Fund may engage in a limited amount of short selling. Short selling may occur in circumstances where securities are expected to depreciate in value, or where securities are believed to be overvalued in relation to their intrinsic value, but will occur only within certain controls and limitations. Securities will be sold short only for cash and the Fund will receive the cash proceeds within normal trading settlement periods for the market in which the short sale is made. All short sales will be effected only through market facilities through which those securities are normally bought and sold and the Fund will short sell a security only if: (i) the security is listed and posted for trading on a stock exchange and either the issuer of the security has a market capitalization of not less than \$300 million of the security sold short at the time the short sale is made or the portfolio advisor has pre-arranged to borrow securities for the purposes of such short sale; or (ii) the securities sold short are bonds, debentures or other evidences of indebtedness of or guaranteed by the Government of Canada or any province or territory of Canada or the Government of the U.S.A. As well, at the time securities of a particular issuer are sold short by the Fund, the aggregate market value of all securities of that issuer sold short will not exceed 5% of the net assets of the Fund. The Fund also will place a "stop-loss" order (effectively a standing instruction) with a dealer to immediately repurchase for the Fund the securities sold short if the trading price of the securities exceeds 115% (or a lower percentage determined by us) of the price at which the securities were sold short.

The aggregate market value of all securities sold short by the Fund will not exceed 20% of its net assets on a daily marked-to-market basis. The Fund may deposit assets with lenders in accordance with industry practice in relation to its obligations arising under short sale transactions. The Fund also will hold cash cover in an amount, including the Fund's assets deposited with lenders, that is at least 150% of the aggregate market value of all securities it sold short on a daily marked-to-market basis. No proceeds from short sales will be used by the Fund to purchase long positions other than cash cover. Where a short sale is effected in Canada, every dealer that holds Fund assets as security in connection with the short sale must be a registered dealer and a member of a self-regulatory organization that is a participating member of the Canadian Investor Protection Fund. Where a short sale is effected outside Canada, every dealer that holds Fund assets as security in connection with the short sale must be a member of a stock exchange and have a net worth in excess of the equivalent of \$50 million determined from its most recent audited financial statements. The aggregate assets deposited by the Fund with any single dealer as security in connection with short sales will not exceed 10% of the Fund's net assets at the time of deposit.

What Are The Risks Of Investing In The Fund?

Most of the Fund's assets will be invested in common shares and other equity securities. The Fund will therefore be subject to stock market risk. As many or all of such issuers will be small capitalization companies, the Fund will be subject to the risks associated with small capitalization companies. Since the Fund may also invest in foreign securities, this may expose the Fund, to a limited extent, to the risk of investments in foreign securities and foreign currency risk. The Fund invests in relatively illiquid securities that may expose the Fund to liquidity risk. The Fund may also be exposed to sector risk due to its investments being concentrated in a limited number of sectors. The Fund may also be exposed to the

risks of short selling and investing in derivatives. The Fund will also be subject to Series Risk and Securities Lending, Repurchase and Reverse Repurchase Risk. These risks are all further described on pages A-2 to A-7 of the Simplified Prospectus of Front Street Mutual Funds.

Who Should Invest In The Fund?

The Fund is a suitable investment for investors or portfolios seeking capital appreciation as an important objective, having a medium tolerance for risk and volatility, and with the expectation of long-term returns.

RISK FACTORS

The risk factors for the Fund are identical to those that currently apply to the Front Street Special Opportunities Canadian Fund Ltd.

SCHEDULE D**SPECIFIC INFORMATION ABOUT FRONT STREET RESOURCE FUND*****Fund Details***

| | |
|----------------------------|--|
| Type of Fund | Resource equity fund. |
| Date Fund Was Started | April 11, 2006 ⁽¹⁾ . |
| Securities Offered | Series A, B, F and X Shares of the Front Street Resource Fund, a separate class of shares and mutual fund of Front Street Mutual Funds Limited. |
| Registered Tax Plan Status | Shares of the Front Street Resource Fund are qualified investments for trusts governed by RRSPs, RRIFs, RESPs, DPSPs, RDSPs and TFSA's under the Tax Act. |
| Year End | October 31. |
| Custodian and Prime Broker | RBC Dominion Securities Inc., Toronto, Ontario will act as prime broker and custodian and have physical custody of the securities in the Fund's portfolio. |

⁽¹⁾ The Front Street Resource Fund is the continuing fund, for securities law purposes, resulting from the amalgamation effective November 1, 2008 of Front Street Resource Fund, a class of shares of Front Street Mutual Funds Limited, initially started on April 11, 2006, and Front Street Resource Opportunities Fund, a class of shares of Front Street Opportunity Funds Ltd.

What Does the Fund Invest In?***Investment Objectives***

The investment objective of the Fund is to maximize capital appreciation by investing in small and medium-sized business entities in a range of natural resource sector industries, including base and precious metal mining and exploration, and in energy-related industries. The Portfolio Advisor will assist the Fund in selecting investments primarily in equity and equity-related securities, although the Fund may also invest in other securities, including preferred shares, of such resource issuers, including junior resource issuers, in accordance with the investment strategies and guidelines outlined herein, with the objective of achieving capital appreciation for Shareholders. Such investments may include short selling of securities which the Portfolio Advisor believes are overvalued.

The Portfolio Advisor may also consider non-investment factors such as cash flow and liquidity requirements, hold periods and restrictions.

The fundamental investment objective of the Fund cannot be changed without the approval of Front Street Resource Shareholders.

Investment Strategies

The Fund's investment strategy entails initially investing in shares of resource issuers engaged in oil and gas or mining exploration, development or production or energy production, including alternative energy

production such as from wind, and that (i) have experienced management; (ii) have a strong exploration program in place; (iii) may require time to mature; and (iv) offer potential for future growth. It is anticipated that the resource issuers will include a significant number of junior issuers.

The Portfolio Advisor will manage the investment portfolio so as to achieve capital appreciation of the Fund's investments. This continuing investment management program may involve the divestiture of shares and other investments and the reinvestment of the net proceeds from such dispositions in securities of resource issuers, as well as other issuers in the oil and gas, mining, pulp and paper, and forestry industries, energy producers and related resource business issuers, such as pipeline or service companies and utilities.

The Fund's portfolio will consist primarily of investments which generate capital gains, but will also include investments which generate income. In managing the portfolio, the Portfolio Advisor intends to use the strategies described below.

From time to time the Fund may invest in other mutual funds and may purchase securities of, or enter into specified derivative transactions for which the underlying interest is based on the securities of other mutual funds. Such investments may be entered into in conjunction with other strategies and investments in a manner considered most appropriate to achieving the Fund's investment objectives stated above and enhancing returns as permitted by securities regulations. The Fund will not enter any such transaction, except in the case of the Front Street Money Market Fund, where the other mutual fund is managed by the Manager or any of its associates or affiliates. No percentage of net assets is dedicated to such investments. Accordingly, all the assets of Fund may be invested in other mutual funds in accordance with securities legislation including NI 81-102.

Investing in Undervalued Securities: The Portfolio Advisor will make investments in securities which it believes are undervalued based on its traditional fundamental research and analysis of such securities. These will include, in particular, securities of issuers with improving fundamentals such as growing revenues and earnings, strong balance sheets and solid management, capital structure and business franchises.

Short Selling Overvalued Securities: The Portfolio Advisor may engage in short selling of securities which it believes are overvalued based on its traditional fundamental research and analysis of such securities. These may include, in particular, securities of issuers with deteriorating fundamentals and weak balance sheets. The Portfolio Advisor may also take a short position in securities of a particular issuer while taking a long position in securities of another issuer in an attempt to take advantage of relative valuation differences between the two issuers. The Portfolio Advisor may make such a "pairs trade" when it believes that the fundamentals of the issuer in which the Fund holds a long position will become increasingly attractive as compared to those of the issuer in which the Fund holds a short position.

Managing Long/Short Positions: The Portfolio Advisor will manage the relative weightings of the long and short positions in the Fund's portfolio to achieve its investment objective. The Fund's net market exposure will depend on, among other things, the Portfolio Advisor's view of domestic and international economic and market trends. The total market value of the Fund's short positions at any time will not exceed the total market value of its long positions. As a result, the Fund will at no time have negative market exposure. The Fund will be limited to short selling up to 20% of its net assets.

Other Strategies: The Portfolio Advisor may participate in special warrant arbitrage situations by purchasing special warrant securities of an issuer while selling short the securities which underlie the

special warrants. In so doing, the Portfolio Advisor will attempt to take advantage of a spread between the price of the special warrant securities and the price of the underlying securities.

The Portfolio Advisor may participate in merger arbitrage situations by purchasing securities of an issuer that is the target in a proposed merger and selling short the securities of the acquiror. Where the consideration offered to the Shareholders of the target includes securities of the acquiror, the Fund may be able to take advantage of instances where the target's securities trade below the announced offer price, reflecting the time value of money and the possibility that the transaction may not be completed.

The Portfolio Advisor may participate in convertible arbitrage situations by purchasing convertible securities of an issuer while short selling the underlying securities into which such convertible securities may be converted. In doing so, the Portfolio Advisor will attempt to take advantage of mis-pricing between the market price of the convertible securities and the underlying securities.

The Portfolio Advisor may trade in securities of issuers that may be involved in a restructuring or a business unit spin-off in order to take advantage of the differences in the market value of the securities of the original issuer versus those of the spun-off entities.

Short Selling: As noted above, one of the Fund's investment strategies will be to engage in short selling of securities. To do this, the Fund will borrow the securities it is selling short, and will be under an obligation to return the borrowed securities to the lender at a future date. The Fund will also be required to pay the lender any dividends declared on the borrowed securities, together with any securities borrowing fees. To return the borrowed securities, the Fund will purchase these same securities at a later date, with the result that the Fund will generally make a gain on the short sale if the price of the securities has declined by such later date. The borrowing of securities by the Fund will be made pursuant to the securities lending provisions contained in the Settlement Services Agreement with its prime broker/custodian.

Use of Derivatives: The Fund may write covered call options and cash covered put options and purchase call options and put options with the effect of closing out existing call options and put options written by the Fund. The Fund may also purchase put options in order to protect the Fund from declines in the market prices of the individual securities in the portfolio or in the value of the portfolio as a whole. The Fund may enter into trades to close out positions in such permitted derivatives. The Fund may also use derivatives to hedge the Fund's foreign currency exposure. Such permitted derivatives may include exchange-traded options, futures contracts, options on futures, over-the-counter options and forward contracts.

Securities Lending, Repurchase and Reverse Repurchase Agreements: The Fund may enter into securities lending, repurchase or reverse repurchase transactions. While no such transactions are currently contemplated, they may be entered into in conjunction with other strategies and investments in a manner considered most appropriate to achieving the Fund's investment objectives stated above and enhancing returns as permitted by securities regulations.

What are the Risks of Investing in the Fund?

Most of the Fund's assets will be invested in common shares and other equity securities of Resource Issuers and the Fund will therefore be subject to risks associated with securities of natural resource companies, fluctuations in Net Asset Value risk and stock market risk. As certain of such issuers may be small capitalization companies, the Fund may be subject to the risks associated with small capitalization companies. Since the Fund may also invest in foreign securities, this may expose the Fund, to a limited extent, to the risk of investments in foreign securities and foreign currency risk. The Fund invests in

relatively illiquid securities that may expose the Fund to liquidity risk. The Fund may also be exposed to sector risk due to its investments being concentrated in a limited number of sectors. The Fund may also be exposed to the risks of short selling and investing in derivatives. The Fund will also be subject to Series Risk and Securities Lending, Repurchase and Reverse Repurchase Risk. These risks are all further described on pages A-2 to A-7 of the Simplified Prospectus of Front Street Mutual Funds.

Who Should Invest in the Fund?

The Fund is suitable for investors seeking long-term capital growth with a medium tolerance for risk and volatility, and a long-term investment horizon. The Fund is a suitable investment for investors or portfolios for whom capital appreciation is an important objective, with the expectation of long-term returns.

SPECIFIC INFORMATION ABOUT FRONT STREET CANADIAN EQUITY FUND

Fund Details

| | |
|----------------------------|--|
| Type of Fund | Canadian equity fund. |
| Date Fund Was Started | April 11, 2006 ⁽¹⁾ . |
| Securities Offered | Series A, B, F and X Shares of the Front Street Canadian Equity Fund, a separate class of shares and mutual fund of Front Street Mutual Funds Limited. |
| Registered Tax Plan Status | Shares of the Front Street Canadian Equity Fund are qualified investments for trusts governed by RRSPs, RRIFs, RESPs, DPSPs, RDSPs and TFSAs under the Tax Act. |
| Year End | October 31. |
| Custodian and Prime Broker | NBCN Inc., Toronto, ON, will act as custodian and prime broker and have physical custody of the securities in the Front Street Canadian Equity Fund's portfolio. |

⁽¹⁾ The Front Street Canadian Equity Fund is the continuing fund, for securities law purposes, resulting from the amalgamation effective November 1, 2008 of Front Street Canadian Equity Fund, a class of shares of Front Street Mutual Funds Limited, initially started on April 11, 2006, and Front Street Equity Opportunities Fund, a class of shares of Front Street Opportunity Funds Ltd.

What Does the Fund Invest In?

Investment Objectives

The Fund's investment objective is to provide Shareholders with long term capital growth through the selection, management and strategic trading of long and short positions in equity, debt and derivative securities. The Fund will invest primarily in Canadian equities and may focus its assets in specific industry sectors and asset classes based on analysis of business cycles, industry sectors and market outlook. The Fund may also invest in foreign equities.

The Portfolio Advisor may also consider non-investment factors such as cash flow and liquidity requirements, hold periods and restrictions, risk factors, stop-loss containment and tax efficient distributions.

The fundamental investment objective of the Fund cannot be changed without the approval of Shareholders.

Investment Strategies

The Fund's portfolio will consist primarily of investments which generate capital gains, but will also include investments which generate income. In managing the portfolio, the Portfolio Advisor intends to use the strategies described below. The Fund may invest in foreign securities; however, the percentage of the Fund's Net Asset Value attributable to such foreign securities will not exceed 40%.

From time to time the Fund may invest in other mutual funds and may purchase securities of, or enter into specified derivative transactions for which the underlying interest is based on the securities of other mutual funds. Such investments may be entered into in conjunction with other strategies and investments in a manner considered most appropriate to achieving the Fund's investment objectives stated above and enhancing returns as permitted by securities regulations. The Fund will not enter any such transaction, except in the case of the Front Street Money Market Fund, where the other mutual fund is managed by the Manager or an associate or affiliate. No percentage of net assets is dedicated to such investments. Accordingly, all the assets of Fund may be invested in other mutual funds in accordance with securities legislation including NI 81-102.

Investing in Undervalued Securities: The Portfolio Advisor will make investments in securities which it believes are undervalued based on its traditional fundamental research and analysis of such securities. These will include, in particular, securities of issuers with improving fundamentals such as growing revenues and earnings, strong balance sheets and solid management, capital structure and business franchises.

Short Selling Overvalued Securities: The Portfolio Advisor may engage in short selling of securities which it believes are overvalued based on its traditional fundamental research and analysis of such securities. These may include, in particular, securities of issuers with deteriorating fundamentals and weak balance sheets. The Portfolio Advisor may also take a short position in securities of a particular issuer while taking a long position in securities of another issuer in an attempt to take advantage of relative valuation differences between the two issuers. The Portfolio Advisor may make such a "pairs trade" when it believes that the fundamentals of the issuer in which the Fund holds a long position will become increasingly attractive as compared to those of the issuer in which the Fund holds a short position.

Managing Long/Short Positions: The Portfolio Advisor will manage the relative weightings of the long and short positions in the Fund's portfolio to achieve its investment objective. The Fund's net market exposure will depend on, among other things, the Portfolio Advisor's view of domestic and international economic and market trends. The total market value of the Fund's short positions at any time will not exceed the total market value of its long positions. As a result, the Fund will at no time have negative market exposure. The Fund will be limited to short selling up to 20% of its net assets.

Other Strategies: The Portfolio Advisor may participate in special warrant arbitrage situations by purchasing special warrant securities of an issuer while selling short the securities which underlie the special warrants. In so doing, the Portfolio Advisor will attempt to take advantage of a spread between the price of the special warrant securities and the price of the underlying securities.

The Portfolio Advisor may participate in merger arbitrage situations by purchasing securities of an issuer that is the target in a proposed merger and selling short the securities of the acquiror. Where the consideration offered to the Shareholders of the target includes securities of the acquiror, the Fund may be able to take advantage of instances where the target's securities trade below the announced offer price, reflecting the time value of money and the possibility that the transaction may not be completed.

The Portfolio Advisor may participate in convertible arbitrage situations by purchasing convertible securities of an issuer while short selling the underlying securities into which such convertible securities may be converted. In doing so, the Portfolio Advisor will attempt to take advantage of mis-pricing between the market price of the convertible securities and the underlying securities.

The Portfolio Advisor may trade in securities of issuers that may be involved in a restructuring or a business unit spin-off in order to take advantage of the differences in the market value of the securities of the original issuer versus those of the spun-off entities.

Short Selling: As noted above, one of the Fund's investment strategies will be to engage in short selling of securities. To do this, the Fund will borrow the securities it is selling short, and will be under an obligation to return the borrowed securities to the lender at a future date. The Fund will also be required to pay the lender any dividends declared on the borrowed securities, together with any securities borrowing fees. To return the borrowed securities, the Fund will purchase these same securities at a later date, with the result that the Fund will generally make a gain on the short sale if the price of the securities has declined by such later date. The borrowing of securities by the Fund will be made pursuant to the securities lending provisions contained in the Settlement Services Agreement with its prime broker/custodian.

Use of Derivatives: The Fund may write covered call options and cash covered put options and purchase call options and put options with the effect of closing out existing call options and put options written by the Fund. The Fund may also purchase put options in order to protect the Fund from declines in the market prices of the individual securities in the portfolio or in the value of the portfolio as a whole. The Fund may enter into trades to close out positions in such permitted derivatives. The Fund may also use derivatives to hedge the Fund's foreign currency exposure. Such permitted derivatives may include exchange-traded options, futures contracts, options on futures, over-the-counter options and forward contracts.

Securities Lending, Repurchase and Reverse Repurchase Agreements: The Fund may enter into securities lending, repurchase or reverse repurchase transactions. While no such transactions are currently contemplated, they may be entered into in conjunction with other strategies and investments in a manner considered most appropriate to achieving the Fund's investment objectives stated above and enhancing returns as permitted by securities regulations.

What Are The Risks Of Investing In the Fund?

Most of the Fund's assets will be invested in common shares and other equity securities. The Fund will therefore be subject to stock market risk. Since the Fund may also invest in foreign securities, this may expose the Fund, to a limited extent, to the risk of investments in foreign securities and foreign currency risk. The Fund invests in relatively illiquid securities that may expose the Fund to liquidity risk. The Fund may also be exposed to sector risk due to its investments being concentrated in a limited number of sectors. The Fund may also be exposed to the risks of short selling and investing in derivatives. The Fund will also be subject to Risks Associated With investing in Securities of Junior Industrial and Technology Companies, Series Risk and Securities Lending, Repurchase and Reverse Repurchase Risk. These risks are all further described on pages A-2 to A-7 of the Simplified Prospectus of Front Street Mutual Funds.

Who Should Invest In the Fund?

The Fund is suitable for investors seeking long-term capital growth with a medium tolerance for risk and volatility, and a long-term investment horizon. The Fund is a suitable investment for investors or portfolios for whom capital appreciation is an important objective, with the expectation of long-term returns.

SPECIFIC INFORMATION ABOUT FRONT STREET DIVERSIFIED INCOME FUND

Fund Details

| | |
|----------------------------|--|
| Type of Fund | Diversified income fund. |
| Date Fund Was Started | April 11, 2006 ⁽¹⁾ . |
| Securities Offered | Series A, B, F and X Shares of the Front Street Diversified Income Fund, a separate class of shares and mutual fund of Front Street Mutual Funds Limited. |
| Registered Tax Plan Status | Shares of the Front Street Diversified Income Fund are qualified investments for trusts governed by RRSPs, RRIFs, RESPs, DPSPs, RDSPs and TFSAs under the Tax Act. |
| Year End | October 31. |
| Custodian and Prime Broker | NBCN Inc., Toronto, ON will act as the custodian and prime broker and have physical custody of the securities in the Front Street Diversified Income Fund's portfolio. |

⁽¹⁾ The Front Street Diversified Income Fund is the continuing fund, for securities law purposes, resulting from the amalgamation effective November 1, 2008 of Front Street Diversified Income Fund, a class of shares of Front Street Mutual Funds Limited, initially started on April 11, 2006, and Front Street Yield Opportunities Fund, a class of shares of Front Street Opportunity Funds Ltd.

What Does the Fund Invest In?

Investment Objectives

The investment objective of the Fund is to provide Shareholders with consistent long term capital growth and the opportunity for income through the selection, management and strategic trading of long and short positions in securities of income trusts, common shares, preferred shares, derivatives and corporate and government debt.

The Portfolio Advisor will also consider positioning the Fund's investment portfolio to reduce its correlation to Canadian equity and fixed-income indices.

The fundamental investment objective of the Fund cannot be changed without the approval of Shareholders.

Investment Strategies

The Portfolio Advisor intends to use the strategies described below in managing the portfolio assets of the Fund.

From time to time the Fund may invest in other mutual funds and may purchase securities of, or enter into specified derivative transactions for which the underlying interest is based on the securities of other mutual funds. Such investments may be entered into in conjunction with other strategies and investments in a manner considered most appropriate to achieving the Fund's investment objectives stated above and enhancing returns as permitted by securities regulations. The Fund will not enter any such transaction,

except in the case of the Front Street Money Market Fund, where the other mutual fund is managed by the Manager or any of its associates or affiliates. No percentage of net assets is dedicated to such investments. Accordingly, all the assets of Fund may be invested in other mutual funds in accordance with securities legislation including NI 81-102.

Investing in Undervalued Securities: The Portfolio Advisor will make investments in securities which it believes are undervalued based on its traditional fundamental research and analysis of such securities. These will include, in particular, securities of issuers with improving fundamentals such as growing revenues and earnings, strong balance sheets and solid management, capital structure and business franchises.

Short Selling Overvalued Securities: The Portfolio Advisor may engage in short selling of securities which it believes are overvalued based on its traditional fundamental research and analysis of such securities. These may include, in particular, securities of issuers with deteriorating fundamentals and weak balance sheets or, in the case of debt instruments, those experiencing rising interest rates.

The Portfolio Advisor may also take a short position in securities of a particular issuer while taking a long position in securities of another issuer in an attempt to take advantage of relative valuation differences between the two issuers. The Portfolio Advisor may make such a “pairs trade” when it believes that the fundamentals of the issuer in which the Fund holds a long position will become increasingly attractive as compared to those of the issuer in which the Fund holds a short position.

Managing Long/Short Positions: The Portfolio Advisor will manage the relative weightings of the long and short positions in the Fund’s portfolio to achieve its investment objective. The Fund’s net market exposure will depend on, among other things, the Portfolio Advisor’s view of domestic and international economic and market trends. The total market value of the Fund’s short positions at any time will not exceed the total market value of its long positions. As a result, the Fund will at no time have negative market exposure. The Fund will be limited to short selling up to 20% of its net assets.

Other Strategies: The Portfolio Advisor may participate in merger arbitrage situations by purchasing securities of an issuer that is the target in a proposed merger and selling short the securities of the acquiror. Where the consideration offered to the Shareholders of the target includes securities of the acquiror, the Fund may be able to take advantage of instances where the target’s securities trade below the announced offer price, reflecting the time value of money and the possibility that the transaction may not be completed.

The Portfolio Advisor may participate in convertible arbitrage situations by purchasing convertible securities of an issuer while short selling the underlying securities into which such convertible securities may be converted. In doing so, the Portfolio Advisor will attempt to take advantage of mis-pricing between the market price of the convertible securities and the underlying securities.

The Portfolio Advisor may trade in securities of issuers that may be involved in a restructuring or a business unit spin-off in order to take advantage of the differences in the market value of the securities of the original issuer versus those of the spun-off entities.

Short Selling: As noted above, one of the Fund’s investment strategies will be to engage in short selling of securities. To do this, the Fund will borrow the securities it is selling short, and will be under an obligation to return the borrowed securities to the lender at a future date. The Fund will also be required to pay the lender any dividends declared on the borrowed securities, together with any securities borrowing fees. To return the borrowed securities, the Fund will purchase these same securities at a later date, with the result that the Fund will generally make a gain on the short sale if the price of the securities

has declined by such later date. The borrowing of securities by the Fund will be made pursuant to the securities lending provisions contained in the Settlement Services Agreement with its prime broker/custodian.

Use of Derivatives: The Fund may write covered call options and cash covered put options and purchase call options and put options with the effect of closing out existing call options and put options written by the Fund. The Fund may also purchase put options in order to protect the Fund from declines in the market prices of the individual securities in the portfolio or in the value of the portfolio as a whole. The Fund may enter into trades to close out positions in such permitted derivatives. The Fund may also use derivatives to hedge the Fund's foreign currency exposure. Such permitted derivatives may include exchange-traded options, futures contracts, options on futures, over-the-counter options and forward contracts.

Securities Lending, Repurchase and Reverse Repurchase Agreements: The Fund may enter into securities lending, repurchase or reverse repurchase transactions. While no such transactions are currently contemplated, they may be entered into in conjunction with other strategies and investments in a manner considered most appropriate to achieving the Fund's investment objectives stated above and enhancing returns as permitted by securities regulations.

What Are The Risks Of Investing In the Fund?

Most of the Fund's assets will be invested in securities that include yield components, whether interest, dividends or return of capital. It may also invest in dividend-paying common shares or preferred shares. The Fund will therefore be subject to stock market risk and interest rate risk. Since the Fund may also invest in foreign securities, this may expose the Fund, to a limited extent, to the risk of investments in foreign securities and foreign currency risk. The Fund may invest in relatively illiquid securities that may expose the Fund to liquidity risk. The Fund may also be exposed to sector risk due to its investments being concentrated in a limited number of sectors. The Fund will also be subject to Risks Associated With Investing in Securities of REITS, Risks Associated With Investing in Income Trusts, Series Risk and Securities Lending, Repurchase and Reverse Repurchase Risk. The Fund may also be exposed to the risks of short selling and investing in derivatives. These risks are all further described on pages A-2 to A-7 of the Simplified Prospectus of Front Street Mutual Funds.

Who Should Invest In the Fund?

The Fund is suitable for investors seeking long-term capital growth with a low to medium tolerance for risk and volatility, and a medium to long-term investment horizon. The Fund is a suitable investment for investors or portfolios for whom income and security of capital are important objectives.

SPECIFIC INFORMATION ABOUT FRONT STREET SMALL CAP FUND

Fund Details

| | |
|----------------------------|--|
| Type of Fund | Small cap fund. |
| Date Fund Was Started | November 1, 2007 ⁽¹⁾ . |
| Securities Offered | Series A, B, F and X Shares of the Front Street Small Cap Fund, a separate class of shares and mutual fund of Front Street Mutual Funds Limited. |
| Registered Tax Plan Status | Shares of the Front Street Small Cap Fund are qualified investments for trusts governed by RRSPs, RRIFs, RESPs, DPSPs, RDSPs and TFSAs under the Tax Act. |
| Year End | October 31. |
| Custodian and Prime Broker | RBC Dominion Securities Inc., Toronto, ON acts as the custodian and prime broker and have physical custody of the securities in the Front Street Small Cap Fund's portfolio. |

⁽¹⁾ The Front Street Small Cap Fund was formed from the amalgamation effective November 1, 2008 of Front Street Small Cap Canadian Fund, a class of shares of Front Street Mutual Funds Limited, and Front Street Small Cap Opportunities Fund, a class of shares of Front Street Opportunity Funds Ltd., initially started on November 1, 2007.

What Does the Fund Invest In?

Investment Objectives

The investment objective of the Fund is to seek capital appreciation primarily through investment in equity securities of a diversified group of publicly traded small capitalization companies and to a lesser extent in equity securities of a diversified group of private companies, subject to prescribed limits on illiquid investments set forth in NI 81-102.

The Portfolio Advisor may also consider non-investment factors such as cash flow and liquidity requirements, hold periods and restrictions, risk factors, stop-loss containment and tax efficient distributions.

The fundamental investment objective of the Fund cannot be changed without the approval of Shareholders.

Investment Strategies

Although the Fund invests primarily in Canadian companies, it may invest anywhere in the world and, depending on market conditions, it may shift its emphasis from one industry sector to another. The Fund focuses on companies that have the potential for further growth, and on securities of growing companies.

The Fund may invest in foreign securities up to a maximum of 40% of the total cost of the Fund's property. Typically, the Fund invests between 0% and 10% of the total cost of the Fund's property in foreign securities.

Investing in Undervalued Securities: The Portfolio Advisor will make investments in securities which it believes are undervalued based on its traditional fundamental research and analysis of such securities. These will include, in particular, securities of issuers with improving fundamentals such as growing revenues and earnings, strong balance sheets and solid management, capital structure and business franchises.

Short Selling Overvalued Securities: The Portfolio Advisor may engage in short selling of securities which it believes are overvalued based on its traditional fundamental research and analysis of such securities. These may include, in particular, securities of issuers with deteriorating fundamentals and weak balance sheets. The Portfolio Advisor may also take a short position in securities of a particular issuer while taking a long position in securities of another issuer in an attempt to take advantage of relative valuation differences between the two issuers. The Portfolio Advisor may make such a “pairs trade” when it believes that the fundamentals of the issuer in which the Fund holds a long position will become increasingly attractive as compared to those of the issuer in which the Fund holds a short position.

Managing Long/Short Positions: The Portfolio Advisor will manage the relative weightings of the long and short positions in the Fund’s portfolio to achieve its investment objective. The Fund’s net market exposure will depend on, among other things, the Portfolio Advisor’s view of domestic and international economic and market trends. The total market value of the Fund’s short positions at any time will not exceed the total market value of its long positions. As a result, the Fund will at no time have negative market exposure. The Fund will be limited to short selling up to 20% of its net assets.

Other Strategies: The Portfolio Advisor may participate in special warrant arbitrage situations by purchasing special warrant securities of an issuer while selling short the securities which underlie the special warrants. In so doing, the Portfolio Advisor will attempt to take advantage of a spread between the price of the special warrant securities and the price of the underlying securities.

The Portfolio Advisor may participate in merger arbitrage situations by purchasing securities of an issuer that is the target in a proposed merger and selling short the securities of the acquiror. Where the consideration offered to the Shareholders of the target includes securities of the acquiror, the Fund may be able to take advantage of instances where the target’s securities trade below the announced offer price, reflecting the time value of money and the possibility that the transaction may not be completed.

The Portfolio Advisor may participate in convertible arbitrage situations by purchasing convertible securities of an issuer while short selling the underlying securities into which such convertible securities may be converted. In doing so, the Portfolio Advisor will attempt to take advantage of mis-pricing between the market price of the convertible securities and the underlying securities.

The Portfolio Advisor may trade in securities of issuers that may be involved in a restructuring or a business unit spin-off in order to take advantage of the differences in the market value of the securities of the original issuer versus those of the spun-off entities.

Short Selling: As notes above, one of the Fund’s investment strategies will be to engage in short selling of securities. To do this, the Fund will borrow the securities it is selling short, and will be under an obligation to return the borrowed securities to the lender at a future date. The Fund will also be required to pay the lender any dividends declared on the borrowed securities, together with any securities borrowing fees. To return the borrowed securities, the Fund will purchase these same securities at a later date, with the result that the Fund will generally make a gain on the short sale if the price of the securities has declined by such later date. The borrowing of securities by the Fund will be made pursuant to the

securities lending provisions contained in the Settlement Services Agreement with its prime broker/custodian.

Use of Derivatives: The Fund may write covered call options and cash covered put options and purchase call options and put options with the effect of closing out existing call options and put options written by the Fund. The Fund may also purchase put options in order to protect the Fund from declines in the market prices of the individual securities in the portfolio or in the value of the portfolio as a whole. The Fund may enter into trades to close out positions in such permitted derivatives. The Fund may also use derivatives to hedge the Fund's foreign currency exposure. Such permitted derivatives may include exchange-traded options, futures contracts, options on futures, over-the-counter options and forward contracts.

Securities Lending, Repurchase and Reverse Repurchase Agreements: The Fund may enter into securities lending, repurchase or reverse repurchase transactions. While no such transactions are currently contemplated, they may be entered into in conjunction with other strategies and investments in a manner considered most appropriate to achieving the Fund's investment objectives stated above and enhancing returns as permitted by securities regulations.

What Are The Risks Of Investing In the Fund?

Most of the Fund's assets will be invested in common shares and other equity securities. The Fund will therefore be subject to stock market risk. As many or all of such issuers will be small capitalization companies, the Fund will be subject to the risks associated with small capitalization companies. Since the Fund may also invest in foreign securities, this may expose the Fund, to a limited extent, to the risk of investments in foreign securities and foreign currency risk. The Fund invests in relatively illiquid securities that may expose the Fund to liquidity risk. The Fund may also be exposed to sector risk due to its investments being concentrated in a limited number of sectors. The Fund may also be exposed to the risks of investing in derivatives. The Fund invests in small capitalization companies, and so is exposed to the risks of investing in small companies. These risks are all further described on pages A-2 to A-7 of the Simplified Prospectus of Front Street Mutual Funds.

Who Should Invest In the Fund?

The Fund is suitable only for investors seeking long-term capital growth with a high tolerance for risk and volatility, and a long-term investment horizon. The Fund is not designed to be a suitable investment for investors or portfolios for whom security of capital is the most important objective.

SPECIFIC INFORMATION ABOUT FRONT STREET MONEY MARKET FUND***Fund Details***

| | |
|----------------------------|--|
| Type of Fund | Money market fund. |
| Date Fund Was Started | January 8, 2007 ⁽¹⁾ . |
| Securities Offered | Series A, B, F and X shares of Front Street Money Market Fund, a separate class of shares and mutual fund of Front Street Mutual Funds Limited. |
| Registered Tax Plan Status | Shares of the Front Street Money Market Fund are qualified investments for trusts governed by RRSPs, RRIFs, RESPs, DPSPs, RDSPs and TFSAs under the Tax Act. |
| Year End | October 31. |
| Custodian and Prime Broker | NBCN Inc., Toronto, ON will act as prime broker and custodian and have physical custody of the securities in the Front Street Money Market Fund's portfolio. |

⁽¹⁾ The Front Street Money Market Fund is the continuing fund, for securities law purposes, resulting from the amalgamation effective November 1, 2008 of Front Street Money Market Fund, a class of shares of Front Street Mutual Funds Limited, initially started on January 8, 2007, and Front Street Cash Fund, a class of shares of Front Street Opportunity Funds Ltd.

What Does the Fund Invest In?***Investment Objectives***

The investment objective of the Fund is primarily to achieve limited income earnings with reasonable safety of capital and liquidity and secondarily for some capital appreciation. The Fund invests mainly in money market securities and bonds issued by Canadian governments and corporations, with maturities of up to one year, and in floating rate notes. The Fund will be a "money market fund" as defined in NI 81-102.

The fundamental investment objective of the Fund cannot be changed without the approval of the Shareholders.

Investment Strategies

The Fund's investment strategy entails investing in "money market securities" which are eligible for the Fund's portfolio which include treasury bills, commercial paper, bankers' acceptances and other evidences of indebtedness with remaining terms to maturity of 365 days or less. The Fund intends to maintain a portfolio with a high credit quality. The weighted average term to maturity of the Fund's assets will not exceed 90 days.

Securities Lending, Repurchase or Reverse Repurchase Transactions: The Fund may enter into securities lending, repurchase or reverse repurchase transactions. While no such transactions are currently contemplated, they may be entered into in conjunction with other strategies and investments in a manner

considered most appropriate to achieving the Fund's investment objectives stated above and enhancing returns as permitted by securities regulations.

What Are the Risks of Investing in the Fund?

The Fund is subject to the risks as described at A-2 through A-7 of the Simplified Prospectus of Front Street Mutual Funds, other than risks associated with short sales, derivatives and equity investments, including the following key risks: (i) Interest rate risk, (ii) Securities lending, repurchase and reverse purchase risk, (iii) Large redemption risk, (iv) Asset-backed and mortgage-backed securities risk.

Please note that the Fund does not intend to maintain a constant price for its securities and there is no guarantee that the price will not go up or down.

Who Should Invest In the Fund?

The Fund is suitable only for investors who have a very low tolerance for risk and are seeking a cash equivalent component in their investment portfolios.



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