



BAB Trust

Annual Information Form

For the year ended September 30, 2014

No securities regulatory authority has expressed an opinion about these Units and it is an offence to claim otherwise.

December 22, 2014

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1 DESCRIPTION OF THE BUSINESS

1.1 NAME AND FORMATION

BAB Trust (the “Fund”) is an investment fund established under the laws of the Province of Ontario and governed by the Trust Agreement (the “Trust Agreement”) between Aston Hill Capital Markets Inc., (the “Manager”) the Manager of the Fund and RBC Investor Services Trust (the “Trustee”) dated January 28, 2010. The Fund’s principal office is located at 77 King Street West, Suite 2110, Toronto, Ontario, M5K 1G8. The fiscal year-end of the Fund is September 30.

The Fund has a term of approximately five years, terminating on or about February 27, 2015 (the “Termination Date”).

1.2 STATUS OF BAB TRUST

The Fund is not considered to be a mutual fund under the securities legislation of the provinces and territories of Canada. Consequently, the Fund is not subject to the various policies and regulations that apply to mutual funds under such legislation.

2 INVESTMENT OBJECTIVES

2.1 INVESTMENT OBJECTIVES

The Fund’s investment objectives are to:

- (i) provide the Unitholder with attractive cash distributions; and
- (ii) maximize total return for the Unitholder, while seeking to reduce risk.

2.2 INVESTMENT STRATEGY

The Fund seeks to achieve its investment objectives through an investment in an actively managed portfolio consisting primarily of Build America Bonds rated BBB/Baa or higher at the time of purchase by at least one independent rating agency or, if unrated, judged by Nuveen Asset Management (the “Sub-Advisor”) to be of comparable quality. The Portfolio includes a minimum of 80% Build America Bonds (measured at the time of purchase), with the remainder of the Portfolio, if any, be comprised of other U.S. Treasury Securities, U.S. Government Agency Securities, other Investment Grade (measured at time of purchase) municipal obligations and cash and cash equivalents (the “Permissible Securities”).

2.2.1 Sub Approach

The Sub-Advisor provides investment advisory and portfolio management services to the Fund. The Sub-Advisor actively manages the Portfolio with respect to the selection, composition, purchase and sale of Build America Bonds and other Permissible Securities. The Sub-Advisor uses a value-oriented strategy and looks for higher-yielding and undervalued long-term securities that offer potentially above average total return. The Sub-Advisor may choose to sell securities with deteriorating credit or limited upside potential compared to other available bonds. The Sub-Advisor believes that a value-oriented investment strategy that seeks to identify underrated and undervalued securities and sectors is positioned to capture the opportunities inherent in the Build America Bond market and potentially outperform the general municipal securities market over time.

2.2.2 Hedging Strategy

The Sub-Advisor employs a hedging strategy designed to mitigate the expected impact of significant interest rate increases on the Net Asset Value.

The Fund is invested primarily in securities denominated in U.S. dollars. The Manager takes currency exposure into account in managing the Portfolio and attempts to maximize the Fund’s total returns in Canadian dollars. Substantially all of the value of the Portfolio that is exposed to U.S. dollars is hedged back to the Canadian dollar.

2.2.3 Use of Derivatives

The Fund invests in and uses derivative instruments for hedging purposes to the extent considered appropriate by the Manager taking into account factors including transaction costs. There can be no assurance that the Fund's hedging strategies will be effective.

2.3 INVESTMENT RESTRICTIONS OF BAB TRUST

The Fund is subject to certain investment restrictions that are set out in the Trust Agreement. The investment restrictions of the Fund provide that the Fund will not:

- (a) invest at the time of purchase:
 - (i) less than 80% of the Total Assets of the Fund in Investment Grade Build America Bonds; nor
 - (ii) more than 20% of the Total Assets of the Fund in other Permissible Securities, except within 90 days of the Fund's termination;
- (b) purchase the common or preferred shares of any "substantial securityholder" of the Fund (as defined in the Securities Act (Ontario)) or the direct or indirect parent of any substantial securityholder of the Fund;
- (c) make or hold any investments in entities that would be "foreign affiliates" of the Fund for purposes of the Tax Act;
- (d) make or hold any investments in securities of non-resident trusts other than "exempt foreign trusts" as defined in subsection 94(1) of the Tax Act as set forth in former Bill C-10, which was before the second session of the 39th Parliament (or pursuant to any amendments to such proposals, subsequent provisions enacted into law, or successor provisions thereto);
- (e) at any time, hold any property that is a "non-portfolio property" for the purposes of the SIFT Rules;
- (f) make or hold any investments that could require the Fund to include any material amount in its income pursuant to proposed sections 94.1 or 94.3 of the Tax Act or require the Fund to mark the investment to market in accordance with proposed section 94.2 of the Tax Act, all as set forth in Bill C-10, which was before the second session of the 39th Parliament, (or pursuant to any amendments to such proposals, subsequent provisions as enacted into law, or successor provisions thereto);
- (g) pledge any of its assets or employ leverage, except in connection with interest rate hedging, foreign exchange rate hedging, securities lending or use of derivatives as described under "Investment Strategy";
- (h) purchase the securities of an issuer (other than an issuer incorporated or otherwise created under the laws of the United States of America or a state, commonwealth or possession thereof or listed on a U.S. securities exchange) representing 10% or more of
 - (x) the voting or equity securities of any class of that issuer or securities convertible into voting or equity securities of any class of that issuer, (y) the votes attached to the outstanding voting securities of that issuer, or (z) the outstanding equity securities of that issuer;
- (i) purchase the securities of an issuer incorporated or otherwise created under the laws of the United States of America or a state, commonwealth or possession thereof or listed on a U.S. securities exchange representing more than 5% of
 - (x) the voting or equity securities of any class of that issuer or securities convertible into voting or equity securities of any class of that issuer, (y) the votes attached to the outstanding voting securities of that issuer, or (y) the outstanding equity securities of that issuer; or
- (j) purchase the securities of an issuer for the purposes of exercising control or direction, whether alone or in concert, over management of that issuer.

3 UNITHOLDERS' EQUITY

3.1 DESCRIPTION OF UNITHOLDERS' EQUITY

The Fund is authorized to issue an unlimited number of redeemable, transferable units of beneficial interest of a single class (the "Units"), each of which represents an equal, undivided interest in the net assets of the Fund, subject to the terms and conditions of the Trust Agreement.

All Units have equal rights and privileges. Each whole Unit is entitled to one vote at all meetings of Unitholders and is entitled to

participate equally with respect to any and all distributions made by the Fund, including distributions of net income and net realized capital gains, and distributions upon the termination of the Fund. Units are issued only as fully paid and are non-assessable.

The Fund does not currently intend to issue additional Units following the completion of the initial exempt offering, except on a distribution of Units or an automatic reinvestment of distributions of net income or net realized capital gains.

On December 16, 2004, the Trust Beneficiaries' Liability Act, 2004 (Ontario) came into force. This statute provides that holders of units of a trust are not, as beneficiaries, liable for any act, default, obligation or liability of the trust if, when the act or default occurs or the liability arises, (i) the trust is a reporting issuer under the Securities Act (Ontario) and (ii) the trust is governed by the laws of Ontario. The Fund is a reporting issuer under the Securities Act (Ontario) and it is governed by the laws of Ontario by virtue of the provisions of the Trust Agreement.

3.2 UNITHOLDER MATTERS

3.2.1 Meetings of Unitholders

A meeting of Unitholders may be convened by the Trustee or the Manager by a written requisition specifying the purpose of the meeting, and must be convened by the Trustee if requisitioned by Unitholders holding not less than 10% of the then outstanding Units entitled to vote on the matter.

Notice of all meetings of Unitholders will be given in accordance with the Trust Agreement and applicable law. The quorum for a meeting of all Unitholders is one or more Unitholders present in person or represented by proxy holding not less than five percent of the Units then outstanding. In the event that such quorum is not present within one-half hour after the time called for a meeting, the meeting, if convened upon the request of a Unitholder, will be dissolved, but in any other case, the meeting will stand adjourned to such day no later than 14 days later and to such time and place as may be appointed by the chairman of the meeting (which for greater certainty can be at a later time on the date of the originally scheduled meeting), and if at such adjourned meeting a quorum is not present, the Unitholders present in person or by proxy at such adjourned meeting will be deemed to constitute a quorum.

A matter requiring an Extraordinary Resolution requires an affirmative vote of at least two-thirds of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of considering such resolution.

3.2.2 Matters Requiring Unitholder Approval

The following matters may only be undertaken with the approval of Unitholders by an Extraordinary Resolution (a separate class vote is also required if one class of Units would be affected differently than the other):

- a) the removal of the Trustee or any of its affiliates as the trustee of the Fund;
- b) any change in the investment objectives or investment restrictions of the Fund, unless such changes are necessary to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;
- c) any change of the Manager except where the new manager is an affiliate of the Manager;
- d) any increase in the Management Fee;
- e) any amendment, modification or variation in the provisions or rights attaching to the Units;
- f) any change in the frequency of calculating the Net Asset Value per Unit to less often than weekly;
- g) any merger, arrangement or similar transaction or the sale of all or substantially all of the assets of the Fund other than in the ordinary course;
- h) any liquidation, dissolution or termination of the Fund except if it is determined by the Manager, in its sole discretion, to be in the best interest of the Unitholders or otherwise in accordance with the terms of the Trust Agreement; and
- i) any amendment to the above provisions except as permitted by the Trust Agreement.

Notwithstanding the foregoing, the Trustee is entitled to amend the Trust Agreement without the consent of, or notice to, the Unitholders, to:

- a) remove any conflicts or other inconsistencies which may exist between any terms of the Trust Agreement and any provisions of any law, regulation or requirements of any governmental authority applicable to or affecting the Fund;
- b) make any change or correction in the Trust Agreement which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;
- c) bring the Trust Agreement into conformity with applicable laws, rules and policies of Canadian securities regulators or with current practice within the securities or investment fund industries, provided such amendments do not in the opinion of the Manager adversely affect the pecuniary value of the interest of the Unitholders or restrict any protection for the Trustee or the Manager or increase their respective responsibilities;
- d) provide added protection or benefit to Unitholders.

3.2.3 *Amendment of Trust Agreement*

Except as provided above, the Trust Agreement may be amended by an Ordinary Resolution approved at a meeting of Unitholders duly convened and held in accordance with the provisions in that regard contained in the Trust Agreement, or by the written consent in lieu of a meeting if there is only one Unitholder.

3.2.4 *Reporting to Unitholders*

The Fund makes available to Unitholders such financial statements and other continuous disclosure documents as are required by applicable law, including (i) unaudited interim and audited annual financial statements, prepared in accordance with Canadian generally accepted accounting principles, and (ii) interim and annual management reports of fund performance. Such financial statements and other continuous disclosure documents will be available on SEDAR at www.sedar.com. The Fund makes available to each Unitholder annually and within the time prescribed by law, information necessary to enable such Unitholder to complete an income tax return with respect to the amounts payable by the Fund.

3.3 *TERMINATION OF THE FUND*

The Fund has a term of approximately five years, terminating on or about February 27, 2015, and the Fund's investments will be liquidated prior to such termination at the then prevailing market prices. The Manager may, in its discretion, terminate the Fund at an earlier date without the approval of the Unitholders if, in its opinion, it would be in the best interests of the Unitholders to terminate the Fund. Upon termination, the Fund will distribute to Unitholders their pro rata portions of the remaining assets of the Fund after all liabilities of the Fund have been satisfied or appropriately provided for. Prior to the Termination Date, the Manager may present a proposal to extend the term of the Fund for a further five year period, subject to approval of Unitholders at a meeting called for such purpose, provided that all Unitholders will be given a right to cause their Units to be redeemed on the Termination Date, regardless of whether they voted in favour of the term extension.

Pursuant to the Trust Agreement, the Fund will terminate on the date specified in an Extraordinary Resolution of Unitholders calling for the termination of the Fund or when terminated by the Manager, as described below. In addition to such termination, the Trust Agreement also provides that:

- (a) in the event that the Manager resigns and no new Manager is appointed by the Unitholders within 120 days of the Manager giving notice to the Trustee of such resignation, the Fund will automatically terminate on the date which is 60 days following the end of such 120 day period; and
- (b) the Manager may, in its discretion, terminate the Fund without the approval of Unitholders if, in its opinion, it would be in the best interests of the Unitholders.

The Trust Agreement provides that prior to the termination of the Fund, the Manager will use commercially reasonable efforts to dispose of all of its assets and will satisfy or make appropriate provision for all liabilities of the Fund. The Trust Agreement provides that the Manager may, in its discretion and upon not less than 30 days prior written notice to the Unitholders, postpone any termination date by a period of up to 180 days if the Manager determines that it will be unable to convert all of its assets to cash prior

to any termination date and the Manager determines that it would be in the best interests of the Unitholders to do so.

Upon termination, the Trust Agreement provides that the Fund will distribute to Unitholders their pro rata portions of the remaining assets of the Fund, which will include cash and, to the extent liquidation of certain assets is not practicable or the Manager considers such liquidation not to be appropriate prior to any termination date, such unliquidated assets in specie rather than in cash. The value of any remaining assets of the Fund will be determined by the Manager, acting reasonably. Following such distribution, the Fund will be dissolved.

3.4 DISTRIBUTIONS

The Fund pays distributions if, as and when declared by the Fund from time to time. The Fund declared \$1,945,000 in distributions during the year ended September 30, 2014 (\$2,202,000 during the year ended September 30, 2013).

The Fund generally receives interest income from the securities held in the Portfolio. The net income of the Fund consists primarily of interest income, less expenses of the Fund. The Fund will distribute all of its income and net realized capital gains earned in each taxation year to ensure that it is not liable for tax under Part I of the Tax Act. To the extent that the Fund has not distributed in cash the full amount of its net income in any year, the difference between such amount and the amount actually distributed by the Fund will be paid through an Additional Distribution which may involve the issuance of additional Units having a Net Asset Value in the aggregate at the date of distribution equal to this difference. Immediately after any such Additional Distribution of Units, the number of outstanding Units may be consolidated such that each Unitholder will hold after the consolidation the same number of Units as it held before the distribution of additional Units.

3.5 REDEMPTIONS OF UNITS

Units may be redeemed for a redemption price per Unit equal to 100% of the Net Asset Value per Unit as at the Redemption Date. Units surrendered for redemption by a Unitholder on or before 5:00 p.m. (Toronto time) on any Redemption Date will be redeemed on such Redemption Date, subject to the Manager's right to suspend redemptions in certain circumstances. The Net Asset Value per Unit will vary depending on the performance of the Portfolio, which depends on a number of factors including the value of the securities included in the portfolio.

A Unitholder who desires to exercise redemption privileges must deliver to the Manager at its office in the City of Toronto, a written notice of the Unitholder's intention to redeem Units by no later than 5:00 p.m. (Toronto time) on the relevant notice date.

By delivering to the Manager a notice of intention to redeem Units, the Unitholder will be deemed to have irrevocably surrendered his or her Units for redemption. Any redemption notice that the Manager determines to be incomplete, not in proper form or not duly executed will, for all purposes, be void and of no effect and the redemption privilege to which it relates will be considered, for all purposes, not to have been exercised thereby.

The Manager may suspend the redemption of Units or payment of redemption proceeds (i) for the whole or any part of a period during which normal trading is suspended on one or more exchanges on which more than 50% of the securities included in the Portfolio are listed and traded, and if the securities are not traded on any other exchange that represents a reasonable, practical alternative for the Fund or (ii) for any period not exceeding 5 Business Days (any day except Saturday, Sunday, a statutory holiday in Toronto, Ontario or any other day on which the TSX is not open for trading) during which conditions exist which impair the ability of the Manager to determine the value of the assets of the Fund. The suspension may apply to all requests for redemption received prior to the suspension, but for which payment has not been made, as well as to all requests received while the suspension is in effect. In such circumstances all Unitholders will have, and will be advised that they have, the right to withdraw their requests for redemption. The suspension will terminate in any event on the first Business 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 not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Fund, any declaration of suspension made by the Manager will be conclusive.

During the year ended September 30, 2014, the Fund paid \$2,743,971 to redeem 114,881 Units (\$4,360,985 was paid to redeem 187,985 Units during the year ended September 30, 2013).

4 CALCULATION OF NET ASSET VALUE

4.1 CALCULATION OF NET ASSET VALUE

RBC Investor Services Trust also acts as Valuation Agent (the “Valuation Agent”) of the Fund. The Valuation Agent calculates the Net Asset Value per Unit as at the close of business on each Valuation Date. At a minimum, Valuation Dates is on every Friday of each week, or if any Friday is not a Business Day, the immediately preceding Business Day, the Annual Redemption Date, and the last Business Day of each month, and includes each Redemption Date and any other date on which the Manager elects, in its discretion, to calculate the Net Asset Value per Unit. The Net Asset Value per Unit will also be calculated upon the demand of Unitholders at no additional cost.

4.2 VALUATION POLICIES AND PROCEDURES

For reporting purposes other than financial statements, the Net Asset Value of the Fund on a particular date will be equal to (i) the Total Assets less (ii) the aggregate value of the liabilities of the Fund. The Net Asset Value per Unit on any day will be obtained by dividing the Net Asset Value on such day by the number of Units then outstanding.

For the purpose of calculating Net Asset Value of the Fund on a Valuation Date, the Total Assets of the Fund on such Valuation Date will be determined as follows:

- a) the value of any cash on hand or on deposit, bill, demand note, account receivable, prepaid expense, distribution, or other amount receivable (or declared to holders of record of securities owned on a date before the Valuation Date as of which the Total Assets are being determined, and to be receivable) and interest accrued and not yet received will be deemed to be the full amount thereof provided that if the Manager has determined that any such deposit, bill, demand note, account receivable, prepaid expense, distribution, or other amount receivable (or declared to holders of record of securities owned on a date before the Valuation Date as of which the Total Assets are being determined, and to be receivable) or interest accrued and not yet received is not otherwise worth the full amount thereof, the value thereof will be deemed to be such value as the Manager determines to be the fair market value thereof;
- b) the value of any bonds, debentures, other debt obligations and short positions will be valued by taking the average of the bid and ask prices quoted by a major dealer or recognized information provider in such securities on a Valuation Date at such times as the Manager, in its discretion, deems appropriate. Short-term investments including notes and money market instruments will be valued at cost plus accrued interest;
- c) the value of any security which is listed or traded upon a stock exchange (or if more than one, on the principal stock exchange for the security, as determined by the Manager) will be determined by taking the latest available sale price of recent date, or lacking any recent sales or any record thereof, the simple average of the latest available offer price and the latest available bid price (unless in the opinion of the Manager such value does not reflect the value thereof and in which case the latest offer price or bid price will be used), as at the Valuation Date on which the Total Assets are being determined, all as reported by any means in common use;
- d) the value of any security which is traded over-the-counter will be priced at the average of the last bid and asked prices quoted by a major dealer or recognized information provider in such securities;
- e) the value of any security or other asset for which a market quotation is not readily available will be its fair market value on the Valuation Date on which the Total Assets are being determined as determined by the Manager (generally the Manager will value such security at cost until there is a clear indication of an increase or decrease in value);
- f) any market price reported in currency other than Canadian dollars will be translated into Canadian currency at the rate of exchange available from the Custodian on the Valuation Date on which the Total Assets are being determined;
- g) listed securities subject to a hold period will be valued as described above with an appropriate discount as determined by the Manager and investments in private companies and other assets for which no published market exists will be valued at the lesser of cost and the most recent value at which such securities have been exchanged in an arm’s length transaction which approximates a trade effected in a published market, unless a different fair market value is determined to be appropriate by the Manager;

- h) the value of any forward contract will be the value that would be realized by the Fund if, on the date on which the Total Assets are being determined, the forward contract were closed out in accordance with its terms; and
- i) the value of any security or property to which, in the opinion of the Manager, the application of the above principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided, or for any other reason) will be the fair market value thereof determined in good faith in such manner as the Manager from time to time adopts.

The Net Asset Value per Unit of a class is calculated in Canadian dollars in accordance with the rules and policies of the Canadian Securities Administrators or in accordance with any exemption therefrom that the Fund may obtain. The Net Asset Value per Unit determined in accordance with the principles set out above may differ from Net Asset Value per Unit determined under Canadian generally accepted accounting principles.

Units may be redeemed for a redemption price per Unit equal to 100% of the Net Asset Value per Unit as at the Redemption Date. The Net Asset Value per Unit will vary depending on the performance of the Portfolio, which depends on a number of factors, including the value of the securities included in the Portfolio.

4.3 REPORTING OF NET ASSET VALUE

The Net Asset Value per Unit is available to Unitholders upon request, at no cost, by calling 1-800-513-3868.

4.4 AUDIT OF FINANCIAL STATEMENTS

The annual financial statements of the Fund are audited by the Fund's auditor in accordance with the Canadian generally accepted auditing standards. The auditor is asked to report on the fair presentation of the annual financial statements in accordance with the Canadian generally accepted accounting principles.

5 MANAGEMENT OF THE FUND

5.1 THE MANAGER

Aston Hill Capital Markets Inc. oversees, manages and implements the objectives of BAB Trust pursuant to the terms of the Management Agreement. The Manager is entitled to receive fees as compensation for management services rendered to the Fund. See "Duties and Services to be provided by the Manager" below and "Fees and Expenses".

5.1.1 Duties and Services to be provided by the Manager

Pursuant to the Trust Agreement, the Manager has exclusive authority to manage the operations and affairs of the Fund, to make all decisions regarding the undertaking of the Fund and to bind the Fund. The Manager may delegate certain of its powers to third parties where, in the discretion of the Manager, it would be in the best interests of the Fund to do so.

The Manager's duties include maintaining accounting records for the Fund; authorizing the payment of operating expenses incurred on behalf of the Fund; preparing financial statements, income tax returns and financial and accounting information as required by the Fund; ensuring that unitholders are provided with financial statements and other reports as are required from time to time by applicable law; ensuring that the Fund complies with regulatory requirements, including its continuous disclosure requirements under applicable securities laws; preparing the Fund's reports to Unitholders and to the Canadian securities regulators; providing the Custodian with information and reports necessary for the Custodian to fulfill its fiduciary responsibilities; currency hedging; administering the redemption of Units; arranging for any payment required on the termination of the Fund; dealing and communicating with Unitholders; and negotiating contracts with third party providers of services, including, but not limited to, custodians, transfer agents, legal counsel, auditors and printers.

The Manager also implements the Fund's investment strategy to ensure compliance with the Fund's investment guidelines.

5.1.2 Details of the Manager's Obligations under the Trust Agreement

Pursuant to the Trust Agreement, the Manager shall exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of the Fund and its Unitholders and in connection therewith, shall exercise the degree of care, diligence and skill that a reasonably prudent manager would exercise in similar circumstances. The Trust Agreement provides that the Manager

shall not be liable in any way for any default, failure or defect in the securities held by the Fund or for any loss or diminution in the value of such securities or other loss or damage suffered by any such person or for any errors of judgment, acts or omissions if it has satisfied the duties and standard of care, diligence and skill set forth above. The Manager will, however, incur liability in cases of willful misconduct, bad faith or negligence or breach of its obligations under the Trust Agreement and is responsible for any investment advisory and portfolio management services provided to the Fund.

The Manager may resign as manager of the Fund upon 60 days' notice to the Unitholders and to the Fund or upon such lesser notice period as the Fund may accept. If the Manager resigns it may appoint its successor but, unless its successor is an affiliate of the Manager, its successor must be approved by Unitholders of the Fund. If the Manager is in material default of its obligations under the Trust Agreement and such default has not been cured within 20 business days after notice of same has been given to the Manager, the Fund shall give notice thereof to the Unitholders, and the Unitholders may remove the Manager and appoint a successor manager.

The Manager is entitled to fees for its services under the Trust Agreement as described under "Fees and Expenses" and will be reimbursed for all reasonable costs and expenses incurred by the Manager on behalf of the Fund.

The Manager and each of its directors, officers, employees and agents will be indemnified by the Fund for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against the Manager or any of its officers, directors, employees or agents in the exercise of its duties as manager, except those resulting from the Manager's willful misconduct, bad faith or negligence or the Manager's failure to meet the standard of care set forth above.

5.1.3 Conflicts of Interest – Manager and Trustee

The management and administrative services provided by the Manager to the Fund pursuant to the Trust Agreement are not exclusive and nothing in the Trust Agreement prevents the Manager from providing similar management services to other investment funds and clients (whether or not their investment objectives and policies are similar to those of the Fund) or from engaging in other activities. Investment decisions for the Fund will be made independently of those made for other clients and independently of investments of the Manager. On occasion, however, the Manager may manage the same investment for the Fund and for one or more of its other clients. If the Fund and one or more of the other clients of the Manager are engaged in the purchase or sale of the same security, the transactions will be effected on an equitable basis.

5.1.4 Accounting and Reporting

The Fund's fiscal year-end is September 30. The Manager ensures that the Fund complies with all applicable reporting and administrative requirements.

The Manager keeps adequate books and records reflecting the activities of the Fund. A Unitholder or his or her duly authorized representative has the right to examine the books and records of the Fund during normal business hours at the offices of the Manager. Notwithstanding the foregoing, subject to applicable law, a Unitholder shall not have access to any information which, in the opinion of the Manager, should be kept confidential in the interests of the Fund.

5.1.5 Officers and Directors of the Manager

The name and municipality of residence of the Directors and Executive Officers of the Manager and their principal occupations are as follows:

Name and Municipality	Position with the Manager	Principal Occupation
W. Neil Murdoch Oakville, Ontario	Director, President, Chief Operating Officer and Chief Executive Officer	President and Chief Executive Officer, Aston Hill Capital Markets Inc. Chief Operating Officer, Aston Hill Financial Inc.
Darren N. Cabral Toronto, Ontario	Director, Vice-President and Chief Financial Officer	Vice-President and Chief Financial Officer, Aston Hill Capital Markets Inc.

Name and Municipality	Position with the Manager	Principal Occupation
Eric Tremblay Calgary, Alberta	Director and Chairman	Chief Executive Officer, Aston Hill Financial Inc.
Larry Titley Airdrie, Alberta	Director	Vice President and Chief Financial Officer, Aston Hill Financial Inc.
Sasha Rnjak Woodbridge, Ontario	Chief Compliance Officer and Corporate Secretary	Vice President, Fund Operations and Chief Compliance Officer, Aston Hill Asset Management Inc.

W. Neil Murdoch: CFA; BComm, McGill University; LLB, University of Toronto; Master of Management, Kellogg Graduate School of Management, Northwestern University. Mr. Murdoch joined Aston Hill Capital Markets Inc. in December 2003. Prior thereto, Mr. Murdoch was Executive Vice President and Portfolio Manager at AIC Group of Funds.

Darren N. Cabral: CFA; BA (Hons.), York University; MBA, Schulich School of Business, York University. Mr. Cabral joined Aston Hill Capital Markets Inc. in May 2007. Prior thereto, Mr. Cabral held various positions with affiliates of Middlefield Group Limited from September 2001 to April 2007, including Executive Director of Research at Middlefield Capital Corporation and Managing Director of Middlefield International Limited.

Eric Tremblay: B.Eng, Ryerson University. Mr. Tremblay joined Aston Hill Financial Inc. in 2001. Prior thereto, Mr. Tremblay held various positions at Enerplus Corporation from 1993 to 2001 including Senior Vice President of Capital Markets.

Larry Titley: C.A.; B.Comm, University of Calgary. Mr. Titley joined Aston Hill Financial Inc. in 2002. Prior thereto Mr. Titley was Treasurer for the Enerplus Group of Management Companies since 1999.

Sasha Rnjak: BA Economics, University of Western Ontario, Vice President, Fund Operations and Chief Compliance Officer, Aston Hill Asset Management Inc., since April 2011; prior thereto, Compliance Manager, CI Investments Inc., since September 2007.

5.2 THE SUB-ADVISOR

Nuveen Asset Management acts as the Sub-Advisor to BAB Trust in connection with the selection, composition, purchase and sale of Build America Bonds and other Permissible Securities. The Sub-Advisor is a wholly-owned subsidiary of Nuveen Investments, Inc. and is one of the largest managers of municipal bonds in the world. The Sub-Advisor is a U.S. registered investment adviser and has offices at 333 West Wacker Drive, Chicago, Illinois 60606.

On October 1, 2014 Nuveen Investments, Inc. was purchased by TIAA-CREF (Teachers Insurance and Annuity Association – College Retirement Equities Fund). TIAA-CREF is a large, non-profit investment manager with approximately \$600 billion under management. TIAA-CREF offers a wide range of investment products including retirement, life insurance, college savings plans, IRAs and retail mutual funds and is a leading provider of retirement services to the US non-profit market. TIAA-CREF is 100% owner of the company.

The name, municipality of residence, position with the Sub-Advisor and principal occupation of each of the directors and the officers of the Sub-Advisor involved in managing the assets of the Fund are set out below:

Name and Municipality	Position with the Portfolio Manager	Principal Occupation
Daniel Joseph Close Wilmette, Illinois, USA	Senior Vice-President and Portfolio Manager	Portfolio Manager
John V. Miller Winnetka, Illinois, USA	Co-Head, Fixed Income and Managing Director	Co-Head, Fixed Income and Portfolio Manager
William T. Huffman Jr. Grayslake, Illinois, USA	President	President

During the past five years, all of the directors and officers of the Sub-Advisor listed above have held their present principal occupations (or similar positions with their present employer or its affiliates), except for Mr. Huffman who joined Nuveen in 2008.

Nuveen Asset Management is primarily responsible for providing advice to the Manager with respect to the investment of the Build America Bonds and other Permissible Securities in the Portfolio. Specifically, pursuant to the Sub-Advisor Agreement, the Sub-Advisor provides investment management services necessary for BAB Trust to implement its stated investment strategy.

The team of individuals working at the Sub-Advisor responsible for advising, servicing and making investment decisions on behalf of BAB Trust consists of three individuals, Daniel J. Close, John V. Miller and William T. Huffman Jr., each of whom has significant experience in portfolio management and investment advisory services. Mr. Close is expected to serve as BAB Trust's primary portfolio manager, with the assistance of the Sub-Advisor's research, derivatives and trading professionals, and under the general oversight of Mr. Miller. The investment decisions made by Mr. Close on behalf of BAB Trust are not subject to the approval or ratification of any committee. A short biography of each of Messrs. Close, Miller and Huffman Jr. is provided below, which biographies include their respective full name, title, length of time of service with the Sub-Advisor and business experience over the past five years.

Daniel J. Close: *B.S. — Business, Miami University (Oxford, Ohio); MBA — Finance, Northwestern University J.L. Kellogg School of Management, Evanston, IL; Chartered Financial Analyst.* Mr. Close is currently a Senior Vice-President and Portfolio Manager with Nuveen Asset Management and would serve as BAB Trust's primary portfolio manager. Mr. Close serves as a portfolio manager for certain of Nuveen's state-specific municipal bond funds, among other accounts. Prior to his current position, Mr. Close served as a municipal research analyst, responsible for coverage of corporate-backed, energy, transportation and utility credits. Prior to his research position, he was a member of Nuveen's product management and development team, where he was responsible for the oversight and development of Nuveen's mutual fund product line. Before joining Nuveen Investments in 2000, Mr. Close worked as an analyst at Banc of America Securities where he specialized in originating and structuring asset backed securities.

John V. Miller: *B.A. — Economics and Political Science, Duke University; M.A. — Economics, Northwestern University; M.B.A. (with honours) — Finance, The University of Chicago; Chartered Financial Analyst.* Mr. Miller is Co-Head of Fixed Income and Managing Director of Nuveen Asset Management. He leads Nuveen's municipal fixed-income investment activities. He also has direct responsibility for managing high-yield municipal funds and certain institutional accounts. He joined Nuveen in 1996 as a municipal credit analyst and moved into portfolio management in 2000. Mr. Miller became a managing director and head of the portfolio managers in 2006, and he became Nuveen Asset Management's Chief Investment Officer in 2007.

William T. Huffman Jr.: *B.S. — Accounting, Indiana University; M.B.A. — Finance, The University of Chicago; Certified Public Accountant.* Mr. Huffman is Nuveen Asset Management's President. He joined Nuveen in 2008 from Northern Trust where he was President and Chief Executive Officer of Northern Trust Global Advisors, Inc. and concurrently served as Chief Executive Officer of Northern Trust Global Investments Limited located in London. Prior to these roles, he served as Director of Quantitative Product Management for Northern Trust and began his career where he lead the internal audit group responsible for treasury, investment management and finance functions of the Northern Trust Corporation.

5.2.1 Details of the Sub-Advisor Agreement

Under the Sub-Advisor Agreement, the Sub-Advisor is required to act at all times on a basis which is fair and reasonable to BAB Trust, to act honestly and in good faith with a view to the best interests of BAB Trust and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent investment advisor would exercise in comparable circumstances. The Sub-Advisor Agreement provides that the Sub-Advisor shall not be liable in any way for any default, failure or defect in the securities held by BAB Trust or for any loss or diminution in the value of such securities or other loss or damage suffered by any such person or for any errors of judgment, acts or omissions if it has satisfied the duties and standard of care, diligence and skill set forth above. The Sub-Advisor will, however, incur liability in cases of willful misconduct, bad faith or negligence or breach of its standard of care set forth above.

The Sub-Advisor Agreement will continue in effect unless earlier terminated in accordance with the terms thereof. If the Manager is terminated, the Sub-Advisor Agreement will terminate at such time. The Manager may terminate the Sub-Advisor Agreement if the Sub-Advisor has committed certain events of bankruptcy or insolvency, has lost any registration, license or other authorization required to perform its services thereunder or is in material breach or default of the provisions thereof and such material breach or default has not been cured within 20 Business Days after notice thereof has been given to the Sub-Advisor by the Manager.

The Sub-Advisor Agreement includes various customary rights of termination, including that the Sub-Advisor may terminate the Sub-Advisor Agreement upon 20 business days' notice in the event that BAB Trust or the Manager is in material breach or default of the provisions thereof and such material breach or default has not been cured within 20 business days' notice of same to the Manager and to BAB Trust, as applicable, or in the event that there is a material change in the investment guidelines of BAB Trust. In addition, either the Manager or the Sub-Advisor may terminate the Sub-Advisor Agreement upon 90 days' notice to the other party.

Any amendment to the Sub-Advisor Agreement which would have an adverse effect on the ability of BAB Trust to perform any of its material obligations under any material agreements to which it is a party requires the prior written consent of the Manager, which consent shall not be unreasonably withheld or delayed.

The Manager is responsible for the payment of the fees of the Sub-Advisor.

5.2.2 Conflicts of Interest – Sub-Advisor

The services of the Sub-Advisor and its officers and directors are not exclusive to BAB Trust or the Manager. The Sub-Advisor or any of its affiliates and associates may, at any time, engage in the promotion, management or investment management of any other entity which invests primarily in the same securities as those held by BAB Trust and provide similar services to other investment funds and other clients and engage in other activities. Investment decisions for BAB Trust are made independently of those made for other clients and independently of investments of the Sub-Advisor. On occasion, however, the Sub-Advisor may identify the same investment for BAB Trust and for one or more of its other clients. If BAB Trust and one or more of the other clients of the Sub-Advisor are engaged in the purchase or sale of the same security, the transactions will be effected on an equitable basis.

5.3 INDEPENDENT REVIEW COMMITTEE

The Manager has appointed an independent review committee (the “Independent Review Committee”) in accordance with NI 81-107 comprised of four members, each of whom is independent of the Manager and entities related to the Manager. The Independent Review Committee intends to function in accordance with applicable securities law, including NI 81-107. The mandate of the Independent Review Committee is to review and provide its decisions to the Manager on conflict of interest matters that the Manager has referred to the Independent Review Committee for review. The Manager is required to identify conflict of interest matters inherent in its management of the Fund and request input from the Independent Review Committee in respect of how it manages those conflicts of interest, as well as its written policies and procedures outlining its management of those conflicts of interest. The Independent Review Committee has adopted a written charter which it follows when performing its functions and is subject to requirements to conduct regular assessments. In performing their duties, members of the Independent Review Committee are required to act honestly, in good faith and in the best interests of the Fund and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Independent Review Committee also serves in respect of other funds that are managed by the Manager. The Independent Review Committee report annually to the Fund which report is available free of charge upon request to the Manager and is also posted on the Manager’s website at www.astonhill.ca.

The principal occupations and biographies of the Independent Review Committee members are set out below.

John Crow (chair) is the former Governor of the Bank of Canada and a noted economist. He is a director or advisor to a number of companies, and is also a Senior Fellow of the C.D. Howe Institute. In 1999, he chaired a committee of international experts that was commissioned by the Executive Board of the International Monetary Fund (the “IMF”) to evaluate IMF bilateral, regional, and multilateral surveillance activities, and in 2002, he took part in a high level international mission to advise on monetary problems in Argentina. In 2003, he chaired an international task force commissioned by the International Federation of Accountants to examine the loss of credibility in financial reporting and how to restore it. Mr. Crow is the author (2002) of *Making Money: An Insider's Perspective on Finance, Politics, and Canada's Central Bank*.

C. Scott Browning received his doctorate in chemistry from the University of Toronto in 1992. He returned to join the faculty at UofT after a sixteen month term as a post-doctoral Fellow at the National Institute of Bioscience in Japan. His research on the modular design, synthesis and properties of tunable phosphine ligands has been published in the journals of the Royal Society of Chemistry and the American Chemical Society and presented at international conferences. Dr. Browning is a Fellow of the University of St. Michael's College and is currently coauthoring a textbook that emphasizes a strong mechanistic approach to understanding organic chemistry.

Robert B. Falconer is a Member of Board of Directors, Audit and Valuation, Investment and Independent Review Committee (chair) of VentureLink Funds and has financial consulting contracts with Altamira Financial Services, Ontario Clean Water Agency and GHD International. He recently worked as a Director of Community Loans Policy & Risk Control for Ontario Strategic Infrastructure Financing Authority and as a Vice President of Corporate Finance for Altamira Financial Services.

Joseph H. Wright spent 23 years with Citibank in New York, Geneva and Toronto. He left Citibank in 1986 to join Burns Fry Limited where he worked until 1994, finishing as a Vice Chairman. In 1995, he joined Swiss Bank Corporation (Canada) as President & CEO. Following Swiss Bank, he has spent 16 years as a corporate director, serving on the boards of Loblaw Companies Limited, O & Y Real Estate Investment Trust, Call-Net Enterprises Inc. and St. Laurent Paperboard Inc., to name a few. He also served for 5

years as the Chair.

The IRC members each receive \$15,000 per annum (\$20,000 for the Chairman) plus \$1,250 per meeting for acting in such capacity and are also reimbursed for expenses in connection with performing their duties. These fees and expense reimbursements are allocated across investment funds that are managed by the Manager in a manner that is fair and reasonable.

5.4 THE TRUSTEE

RBC Investor Services Trust is also the trustee of the Fund under the Trust Agreement and, as such, is responsible for certain aspects of the day-to-day administration of the Fund as described in the Trust Agreement. The Trustee's office is located in Toronto, Ontario.

The Trustee may resign upon 60 days' notice to Unitholders and the Manager. The Trustee may be removed with the approval of a simple majority vote cast at a meeting of Unitholders called for such purpose or by the Manager, if the Trustee has committed certain events of bankruptcy or insolvency or is in material breach or default of its obligations under the Trust Agreement which breach has not been cured within 30 days after notice thereof has been given to the Trustee. Any such resignation or removal shall become effective only upon the acceptance of appointment by a successor. If the Trustee resigns, its successor may be appointed by the Manager. The successor must be approved by Unitholders if the Trustee is removed by Unitholders. If no successor has been appointed within 90 days, the Fund will be terminated.

The Trust Agreement provides that the Trustee shall not be liable in carrying out its duties under the Trust Agreement except where it is in breach of its obligations under the Trust Agreement or where the Trustee fails to act honestly and in good faith, and in the best interests of Unitholders to the extent required by laws applicable to trustees, or to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. In addition, the Trust Agreement contains other customary provisions limiting the liability of the Trustee and indemnifying the Trustee, or any of its officers, directors, employees or agents, in respect of certain liabilities incurred by it in carrying out its duties.

The Trustee is entitled to receive fees from the Fund as described under "Fees and Expenses". The Trustee is entitled to be reimbursed for all expenses and liabilities which are properly incurred by the Trustee in connection with the activities of the Fund.

5.5 THE CUSTODIAN

RBC Investor Services Trust also acts as custodian (the "Custodian") of the assets of the Fund pursuant to the Trust Agreement. The Custodian, in its capacity as valuation services agent, also carries out certain aspects of the day-to-day administration of the Fund, including calculating NAV, net income and net realized capital gains of the Fund and maintaining the books and records of the Fund.

5.6 AUDITOR

The auditor of the Fund is PricewaterhouseCoopers LLP, Chartered Accountants, at 18 York Street, Suite 2600, Toronto, Ontario, M5J 0B2.

5.7 TRANSFER AGENT AND REGISTRAR

The Manager acts as transfer agent and registrar for the Units and will maintain the securities registers at its office in Toronto.

5.8 PORTFOLIO TRANSACTIONS AND BROKERAGE

The Manager and the Investment advisor are responsible for selecting members of securities exchanges, brokers and investment dealers for the execution of transactions in respect of the Fund's investments and, when applicable, the negotiation of commissions in connection therewith. The Fund is responsible to pay those commissions.

6 FEES AND EXPENSES

6.1 MANAGEMENT FEES

As compensation for management services rendered to the Fund, the Manager is entitled to receive an annual management fee in an amount equal to 0.50% per annum of the applicable net asset value of the Build America Investment Grade Bond Fund calculated and

payable monthly in arrears, plus applicable taxes.

The management fees charged to the Fund during the year ended September 30, 2014 were \$111,873 plus applicable taxes (\$129,323 plus applicable taxes during the year ended September 30, 2013).

The Manager is responsible for payment of the sub-advisory fees out of these management fees.

6.2 OPERATING EXPENSES

The Fund pays for all expenses incurred in connection with its respective operation and administration including, fees payable to the Trustee, custodial fees, legal, audit, valuation fees and expenses, any additional fees payable to third party service providers, expenses of the directors of the Manager, fees and expenses of the members of the Independent Review Committee appointed under NI 81-107 and expenses related to compliance with NI 81-107, costs of reporting to Unitholders, registrar, transfer and distribution agency costs, printing and mailing costs, listing fees and expenses and other administrative expenses and costs incurred in connection with the continuous public filing requirements of the Fund and investor relations, fees and expenses relating to the voting of proxies by a third party, taxes, brokerage commissions, costs and expenses relating to the issue of Units, costs and expenses of preparing financial and other reports, costs and expenses arising as a result of complying with all applicable laws, regulations and policies, extraordinary expenses that the Fund may incur, but excluding the fees payable to the Portfolio Manager. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which the Manager, the Portfolio Manager, the Custodian or the Trustee and/or any of their respective officers, directors, employees, consultants or agents is entitled to indemnity by the Fund.

The aggregate amount of these fees and expenses during the year ended September 30, 2014 were \$16,112 plus applicable taxes (\$22,361 plus applicable taxes during the year ended September 30, 2013).

7 CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The Fund is a “financial institution” for purposes of the “mark-to-market” rules contained in the Income Tax Act (Canada) at any time if more than 50% of the fair market value of all interests in the Fund are held at that time by one or more such financial institutions.

The Fund is subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amounts paid or payable to Unitholders in the year. The Fund intends to deduct, in computing its income in each taxation year, the full amount available for deduction in each year and, therefore, provided the Fund makes distributions in each year of its net income and net realized capital gains as described under “Unitholders’ Equity - Distributions”, it will generally not be liable in such year for income tax under Part I of the Tax Act. In computing its income for tax purposes, the Fund may deduct reasonable administrative and other expenses incurred to earn income.

The Fund may be subject to “minimum tax” under the Tax Act. The Manager will endeavour to manage the Fund in a manner such that the Fund will not be subject to minimum tax. The Tax Act provides for a special tax on designated income of certain trusts which have designated beneficiaries. The Trust Agreement prohibits ownership of Units by any person that would be a designated beneficiary for the purposes of the Tax Act.

8 MATERIAL CONTRACTS

The material contracts entered into by the Fund are as follows:

- (a) the Trust Agreement; and
- (b) the Sub-Advisor Agreement.

Copies of the foregoing agreements may be examined during normal business hours at the principal office of the Fund. Copies of the Trust Agreement may be obtained at any time from the Manager on written request.

BAB Trust

Additional information about the Fund is available in the financial statements. You can obtain a copy of the financial statements, including a statement of portfolio transactions, at no charge by contacting the Manager by:

➤ Mail: Aston Hill Capital Markets Inc.
77 King Street West,
Suite 2110, PO Box 92
Toronto, Ontario,
M5K 1G8

www.astonhill.ca

➤ Phone: 1-800-513-3868

➤ E-mail: dcabral@astonhill.ca