PROSPECTUS

Initial Public Offerings January 28, 2010

BUILD AMERICA INVESTMENT GRADE BOND FUND

Maximum $125,000,000 Class A Units and Class F Units (Maximum 5,000,000 Class A Units and/or Class F Units)

Build America Investment Grade Bond Fund is an investment fund established under the laws of the Province of Ontario. The Fund is a non-redeemable investment fund. The Fund proposes to offer Class A Units and Class F Units, each at a price of $25.00 per Unit. Class F Units are designed for fee-based accounts and will not be listed on a stock exchange but may be converted into Class A Units on a weekly basis.

The Fund was established to provide investors with exposure to a portfolio comprised primarily of Investment Grade Build America Bonds actively managed by Nuveen Asset Management, as Sub-Advisor. Nuveen Asset Management is one of the largest managers of municipal bonds in the world, with approximately U.S. $68.8 billion in municipal securities under management as at September 30, 2009. The Sub-Advisor takes a fundamental, credit research-based approach that drives its total return orientation and has one of the largest research staffs dedicated to municipal bonds in the industry with over 17 analysts.

The Fund's investment objectives are to (i) provide Unitholders with monthly tax-advantaged cash distributions, and (ii) maximize total return for Unitholders, while seeking to reduce risk. Distributions are initially targeted to be $0.1198 per month per Unit consisting primarily of returns of capital, representing a yield on the Unit issue price of 5.75% per annum. See "Investment Objectives". The Fund will seek to achieve its investment objectives through exposure to 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 the Sub-Advisor to be of comparable quality.

Build America Bonds are bonds issued by U.S. state and local governments to finance capital projects that meet essential needs such as public schools, roads, water and transportation infrastructure, bridges, ports and public buildings, among others, pursuant to the *American Recovery and Reinvestment Act of 2009* or other related, similar or successor legislation. Many Build America Bonds are general obligation bonds, which are backed by the full faith and taxing power of the governments issuing them. Most issuers of Build America Bonds receive a subsidy from the U.S. federal government equal to 35% of the interest paid to investors, which allows such issuers to issue bonds that pay interest rates that are competitive with the rates typically paid by private bond issuers. This form of government bond, with the credit going to the issuer, makes the bonds attractive to entities that pay no U.S. income tax, such as pension plans and non-U.S. investors, as well as to investors seeking potential high rates of interest income. See "Risk Factors".

The Sub-Advisor believes that Build America Bonds offer a compelling yield opportunity when compared with equivalently rated corporate bonds. Investment Grade municipal issuers, which include issuers under the Build America Bonds program, have historically had lower historical default rates than AAA rated corporate bonds.

As at December 14, 2009, securities in the Indicative Portfolio had a weighted average Investment Grade credit rating of "AA−" by S&P (or equivalent) and average Effective Duration of 11.1 years.

The securities held in the Portfolio may be different than the securities in the Indicative Portfolio. Therefore, there is a risk that the yields earned by the Portfolio may be significantly different than the indicated yields of the Indicative Portfolio. Furthermore, the yields generated by the Portfolio are subject to a number of risk factors and investors are encouraged to review the Risk Factors section of this prospectus.

Price: $25.00 per Class A and Class F Unit

	Price to the public[1]	Agents' fee	Net proceeds to the Fund[2]
Per Class A Unit	$ 25.00	$ 1.3125	$ 23.6875
Per Class F Unit	$ 25.00	$ 0.5625	$ 24.4375
Minimum total Offerings[3][4]	$ 20,000,000	$1,050,000	$ 18,950,000
Maximum total Offerings[4]	$125,000,000	$6,562,500	$118,437,500

Notes:

(1) The terms of the Offerings were established through negotiation between the Agents and the Manager on behalf of the Fund.

(2) Before deducting the expenses of the Offerings, estimated to be $650,000 (but not to exceed 1.5% of the gross proceeds of the Offerings) which, together with the Agents' fee, will be paid by the Fund from the proceeds of the Offerings.

(3) There will be no Closing unless a minimum of 800,000 Class A Units are sold. If subscriptions for a minimum of 800,000 Class A Units have not been received within 90 days after a final receipt for this prospectus is issued, the Offerings may not continue without the consent of the Canadian Securities Administrators and those who have subscribed for Units on or before such date.

(4) The Fund has granted to the Agents an Over-Allotment Option, exercisable for a period of 30 days from the Closing Date, to offer additional Class A Units in an amount up to 15% of the Class A Units sold on the Closing Date on the same terms as set forth above solely to cover over-allotments, if any. If the Over-Allotment Option is exercised in full under the maximum Offerings, the price to the public, Agents' fee and net proceeds to the Fund are estimated to be $143,750,000, $7,546,875 and $136,203,125, respectively. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Class A Units issuable on the exercise of the Over-Allotment Option. A purchaser who acquires Class A Units forming part of the Over-Allotment Option acquires such Class A Units under this prospectus, regardless of whether the Over-Allotment Option is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "Plan of Distribution".

Based on the Indicative Portfolio, distributions are initially targeted to be $0.1198 per month per Unit, representing a yield of 5.75% per annum on the Unit issue price. The initial monthly distribution is payable to Unitholders of record on March 31, 2010 and will be paid no later than April 15, 2010. The first distribution is expected to reflect the period from the Closing Date to March 31, 2010. Based on the Indicative Portfolio and assuming (i) an aggregate size of the Offerings of $100 million, (ii) the employment of the investment strategy as described under "Investment Strategy", (iii) the use of leverage as described herein, and (iv) the fees and expenses described under "Fees and Expenses", it is expected that the Fund will be able to maintain a stable NAV and pay such distributions, however, it is not expected that Portfolio securities will be sold in order to meet targeted distributions. It is expected that monthly distributions received by Unitholders will consist primarily of returns of capital for tax purposes. Distributions in excess of such returns of capital are expected to be capital gains. See "Income Tax Considerations".

The Portfolio will be invested primarily in securities denominated in U.S. dollars. The Manager will take currency exposure into account in managing the Portfolio and will attempt to maximize the Fund's total returns in Canadian dollars. In addition, it is intended that substantially all of the value of the Portfolio that is exposed to U.S. dollars will be hedged back to the Canadian dollar. In consultation with the Manager, the Sub-Advisor may and currently intends to employ a hedging strategy designed to mitigate the expected impact of significant interest rate increases on the Net Asset Value. See "Investment Strategy" and "Overview of the Structure of the Investment".

Class A Units and Class F Units may be redeemed on the second last Business Day of July of each year commencing in 2011, subject to certain conditions, at the Redemption Net Assets per Unit (less associated costs). To effect such a redemption, Units must be surrendered by the last Business Day of June in the year of redemption. By virtue of the Forward Agreement, the Annual Redemption Price will be dependent upon the performance of BAB Trust or the Notional Portfolio. Payment of the Annual Redemption Price will be made on or before the Redemption Payment Date, subject to the Manager's right to suspend redemptions in certain circumstances. See "Redemption of Securities" and "Risk Factors — Risks Relating to Redemptions".

The Fund will have 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. See "Risk Factors — Risks Relating to Redemptions".

The return to the Unitholders and the Fund will be dependent upon the return on the Portfolio (or Notional Portfolio) by virtue of one or more forward purchase and sale agreements with the Counterparty. If the Counterparty hedges its exposure under the Forward Agreement, it or an affiliate may acquire units of BAB Trust, which would be a newly formed Ontario trust that would acquire the Portfolio. If the Counterparty or an affiliate does not acquire units in BAB Trust, the Manager will maintain a Notional Portfolio with an initial invested amount equal to the amount of the net proceeds of the Offerings. There is no assurance that the Counterparty will maintain a hedge or will do so with respect to the full amount or term of the Forward Agreement. The Fund will use the net proceeds of the Offerings to pre-pay its purchase obligations under the Forward Agreement. Pursuant to the Forward Agreement, the Counterparty has agreed to deliver to the Fund, on the Forward Termination Date, the Canadian Securities Portfolio with an aggregate value equal to (i) the redemption proceeds of all of the units of BAB Trust, or (ii) the value of the Notional Portfolio, as applicable, net of any leverage provided through the Forward Agreement and any amount owing by the Fund to the Counterparty. On or about the completion of the Offerings, BAB Trust expects to issue units to the Counterparty or an affiliate with an aggregate value equal to the net proceeds of the Offerings, the proceeds from which BAB Trust would use to acquire the Portfolio. The initial value of the Portfolio would be equal to the net proceeds of the Offerings. In such case, the return to the Fund will, by virtue of the Forward Agreement, be based on the return of BAB Trust, which, in turn, will be based on the performance of the Portfolio. If no such BAB Trust units are acquired by the Counterparty or an affiliate, the return to the Fund, by virtue of the Forward Agreement, will be based on the performance of the Notional Portfolio. The Fund is fully exposed to the credit risk associated with the Counterparty in respect of the Forward Agreement. The Fund may settle the Forward Agreement in whole or in part prior to the Scheduled Forward Termination Date: (i) to fund distributions on the Units; (ii) to fund redemptions and repurchases of Units from time to time; (iii) to fund operating expenses and other liabilities of the Fund; and (iv) for any other reason. The Forward Agreement will also allow the Fund to leverage its exposure to BAB Trust or the Notional Portfolio by up to 25% of its Total Assets. This prospectus assumes that the Counterparty or an affiliate will acquire units of BAB Trust. See "Overview of the Structure of the Investment — The Forward Agreement".

Connor, Clark & Lunn Capital Markets Inc. will act as Manager of the Fund and BAB Trust. The Manager will perform or will arrange for the performance of management services for the Fund and will be responsible for the overall undertaking of the Fund. The Manager is a leading provider of investment products raising more than $1.5 billion in assets. The Manager is part of the Connor, Clark & Lunn Financial Group, which is responsible for the investment of approximately $35 billion in financial assets as at September 30, 2009. See "Organization and Management Details of the Fund — The Manager".

Nuveen Asset Management will act as the Sub-Advisor to BAB Trust in connection with the selection, composition, purchase and sale of Build America Bonds and other Permissible Securities. Founded in 1898, Nuveen Investments, Inc. and its affiliates had approximately U.S. $140 billion in assets under management as of September 30, 2009. The Sub-Advisor, Nuveen Asset Management, is a wholly-owned subsidiary of Nuveen Investments, Inc. and is one of the largest managers of municipal bonds in the world. As at September 30, 2009, the Sub-Advisor had approximately U.S. $68.8 billion in municipal securities under management. See "Organization and Management Details of the Fund — The Sub-Advisor".

There is no guarantee that an investment in the Fund will earn any positive return in the short or long term nor is there any guarantee that the Net Asset Value per Unit will appreciate or be preserved. An investment in the Fund is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment. There are certain risk factors associated with an investment in Units including general risks of exposure to Build America Bonds and other Permissible Securities; municipal securities risks; municipal securities market risks; Build America Bonds market risks; risks of limited issuance; concentration risks; credit risks; maturity risks; risks of exposure to U.S. Treasury and U.S. Government Agency Securities; re-investment risks; interest rate fluctuation risks; foreign exchange rate fluctuation risks; fluctuations in the value of Portfolio securities risks; leverage risks, term risks; recent global financial developments risks; that there is no assurance that the Fund or BAB Trust will be able to achieve their investment objectives or make distributions; risks relating to the composition of the Portfolio; Counterparty risks; risks relating to the use of derivatives; risks relating to securities lending; reliance on the Manager and Sub-Advisor; the fact that Units may trade in the market at a discount to the Net Asset Value per Unit; risks relating to taxes; no ownership of Portfolio securities; changes in legislation and regulatory risk; the possible loss of investment; conflicts of interest; the status of the Fund under Canadian securities laws; risks relating to redemptions; the Fund's lack of operating history; the fact that the Fund is not a trust company; the nature of the Units; and risks relating to issuer credit ratings. There is no market through which the Units may be sold and purchasers may not be able to resell securities purchased under this prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the Units and the extent of issuer regulation. The Toronto Stock Exchange has conditionally approved the listing of the Class A Units. Listing is subject to the Fund fulfilling all of the requirements of the Toronto Stock Exchange on or before April 19, 2010. See "Risk Factors".

On Closing, the Fund will enter into the Forward Agreement with the Counterparty, which will be a Canadian chartered bank or an affiliate of a Canadian chartered bank and an affiliate of one of the Agents. Accordingly, the Fund may be considered to be a "connected issuer" of such Agent. See "Organization and Management Details of the Fund — The Manager" and "Plan of Distribution".

BMO Nesbitt Burns Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., HSBC Securities (Canada) Inc., National Bank Financial Inc., TD Securities Inc., GMP Securities L.P., Macquarie Capital Markets Canada Ltd., Canaccord Financial Ltd., Dundee Securities Corporation, Raymond James Ltd., Desjardins Securities Inc., Research Capital Corporation and Wellington West Capital Markets Inc., as agents, conditionally offer the Units for sale, subject to prior sale, on a best efforts basis, if, as and when issued by the Fund in accordance with the conditions contained in the Agency Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Fund by McCarthy Tétrault LLP and on behalf of the Agents by Stikeman Elliott LLP. See "Plan of Distribution".

Subscriptions for Units will be received subject to rejection or allotment in whole or in part and the Fund reserves the right to close the subscription books at any time without notice. All prospective purchasers will be entitled to withdraw their purchase on or before midnight on the second Business Day after receipt or deemed receipt of the final prospectus and any amendment in accordance with applicable securities laws. See "Purchasers' Statutory Rights of Withdrawal and Rescission". The Agents may over-allot or effect transactions as described under "Plan of Distribution". Registrations of interests in and transfers of Units will be made only through the book-entry only system administered by CDS Clearing and Depository Services Inc. Book-entry only certificates representing the Class A Units and the Class F Units will be issued in registered form only to CDS or its nominee and will be deposited with CDS on the date of Closing, which is expected to occur on or about February 18, 2010, or such later date as the Fund and the Agents may agree, but in any event not later than April 19, 2010. A purchaser of Units will receive a customer confirmation from the registered dealer from or through which the Units are purchased and will not have the right to receive physical certificates evidencing ownership in the Units.

Although units of BAB Trust are not being offered to the public, the Fund has agreed to obtain a receipt for a prospectus of BAB Trust from the Autorité des marchés financiers. The Fund has also agreed to deliver a copy of such prospectus to purchasers of Units in the Province of Québec prior to the purchase of Units by any person in the Province of Québec.

Certain capitalized terms used, but not defined, in the foregoing are defined in the "Glossary of Terms".

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PROSPECTUS SUMMARY

The following is a summary of the principal features of the Offerings and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. Certain capitalized terms used, but not defined, in this summary are defined in the "Glossary of Terms".

THE FUND

Build America Investment Grade Bond Fund is an investment trust established under the laws of the Province of Ontario and governed by the Fund Trust Agreement. See "Overview of the Structure of the Fund".

RATIONALE FOR THE FUND

The Fund was established to provide investors with exposure to a portfolio comprised primarily of Investment Grade Build America Bonds actively managed by Nuveen Asset Management, as Sub-Advisor.

The Fund will seek to achieve its investment objectives through exposure to an actively managed portfolio consisting primarily of Investment Grade Build America Bonds. Build America Bonds are bonds issued by U.S. state and local governments to finance capital projects that meet essential needs such as public schools, roads, water and transportation infrastructure, bridges, ports and public buildings, among others, pursuant to the *American Recovery and Reinvestment Act of 2009* or other related, similar or successor legislation. Many Build America Bonds are general obligation bonds, which are backed by the full faith and taxing power of the governments issuing them. Most issuers of Build America Bonds receive a subsidy from the U.S. federal government equal to 35% of the interest paid to investors, which allows such issuers to issue bonds that pay interest rates that are competitive with the rates typically paid by private bond issuers. This form of government bond, with the credit going to the issuer, makes the bonds attractive to entities that pay no U.S. income tax, such as pension plans and non-U.S. investors, as well as to investors seeking potential high rates of interest income. See "Risk Factors".

The Sub-Advisor believes that Build America Bonds offer a compelling yield opportunity when compared with equivalently rated corporate bonds. Investment Grade municipal issuers, which include issuers under the Build America Bonds program, have historically had lower historical default rates than AAA rated corporate bonds.

Investment Objectives: The Fund's investment objectives are to (i) provide Unitholders with monthly tax-advantaged cash distributions, and (ii) maximize total return for Unitholders, while seeking to reduce risk. Distributions are initially targeted to be $0.1198 per month per Unit consisting primarily of returns of capital, representing a yield on the Unit issue price of 5.75% per annum. See "Investment Objectives". The Fund will seek to achieve its investment objectives through exposure to 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 the Sub-Advisor to be of comparable quality.

Investment Strategy: The Fund will seek to achieve its investment objectives through exposure to 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 the Sub-Advisor to be of comparable quality. The Portfolio will include a minimum of 80% Build America Bonds (measured at the time of purchase), with the remainder of the Portfolio, if any, to be comprised of other Permissible Securities. See "Investment Strategy".

The Sub-Advisor: Nuveen Asset Management will act as the Sub-Advisor to BAB Trust in connection with the selection, composition, purchase and sale of Build America Bonds and other Permissible Securities. Founded in 1898, Nuveen

Investments, Inc. and its affiliates had approximately U.S. $140 billion in assets under management as of September 30, 2009. The Sub-Advisor, Nuveen Asset Management, is a wholly-owned subsidiary of Nuveen Investments, Inc. and is one of the largest managers of municipal bonds in the world. As at September 30, 2009, the Sub-Advisor had approximately U.S. $68.8 billion in municipal securities under management. The Sub-Advisor will principally provide its services to the Fund in Chicago, Illinois, U.S.A.

Nuveen Asset Management employs over 17 analysts dedicated exclusively to evaluating opportunities in municipal bonds, including Build America Bonds, across all sectors and risk profiles. These analysts produce in-house, proprietary research to assist portfolio managers in making investment decisions. The Sub-Advisor's investment process extends beyond examining the issuer's financial profile and includes an extensive review of the security and collateral provisions, market position and market health. Analysis is supplemented by meetings with management. Securities chosen for investment are reviewed on a regular basis. The Sub-Advisor also has a dedicated trading desk, which maintains close relations with the broker-dealer community.

The Sub-Advisor has the analytical resources and capacity to look for compelling investment opportunities in bond issues across the entire range of sizes. The bonds to which the Fund is exposed may or may not be included in Barclays Capital Aggregate Bond Index. Build America Bonds included in the Barclays Capital Aggregate Bond Index have generally offered lower yields than similar non-index issues. The Sub-Advisor may utilize its analytical resources to identify and invest in non-index Build America Bonds that offer the same or similar credit quality as issues included in the index but at more attractive yields.

See "Investment Strategy — Investment Management Approach of the Portfolio" and "Organization and Management Details of the Fund — The Sub-Advisor".

Investment Management Approach:

The Portfolio will be actively managed by the Sub-Advisor 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.

The Sub-Advisor's approach includes attention to the following factors:

Managing Multi-Faceted Risks. Risk in the Build America Bond market is derived from multiple sources, including credit risk at the issuer and sector levels, structural risks such as call risk, yield curve risk, and other risks. The Sub-Advisor believes that managing these risks at both the individual security and portfolio levels is an important element of realizing the income and total return potential of the asset class.

Opportunities to Identify Underrated and Undervalued Build America Bonds. Within the state and national Build America Bond markets, there are issuers with a wide array of financing purposes, security terms, offering structures and credit quality. The Sub-Advisor believes that the size, depth and other characteristics of the state and national Build America Bond markets offer a broad opportunity set of individual issuers in securities that may be underrated and undervalued relative to the general market.

Market Inefficiencies. The Sub-Advisor believes that the scale and intricacy of the Build America Bond market often results in pricing anomalies and other inefficiencies that can be identified and capitalized on through trading strategies.

See "Investment Strategy — Investment Management Approach of the Portfolio" and "Organization and Management Details of the Fund — The Sub-Advisor".

The Build America Bond Program: Build America Bonds are taxable bonds that were authorized under the *American Recovery and Reinvestment Act of 2009* that was signed into law on February 17, 2009. The Build America Bond program allows U.S. state and local governments to issue taxable bonds in 2009 and 2010 for government capital projects and receive a direct federal subsidy payment from the U.S. Treasury for a portion of their borrowing costs. Build America Bonds are intended to help U.S. state and local governments finance governmental capital projects at a lower cost because, for most bonds, the U.S. federal government will subsidize the interest paid in the amount of 35%. As a result of this federal subsidy payment, U.S. state and local governments will have lower net borrowing costs and be able to reach more sources of borrowing than with more traditional tax-exempt or tax credit bonds. For example, if a state or local government were to issue Build America Bonds at a 6.0% taxable interest rate, the U.S. Treasury Department would make a payment directly to the government of 2.1% of that interest, and the government's net borrowing cost would thus be only 3.9% on a bond that actually pays 6.0% interest. Government capital projects include public infrastructure projects such as public schools and roads, and transportation infrastructure such as rail, bridges, ports, and public buildings. Build America Bonds are only for U.S. governmental activity and, therefore, the proceeds received by issuers of Build America Bonds cannot be used by for-profit or not-for-profit organizations. Build America Bonds are restricted from private activity purposes and, for issuers that elect to receive a direct-pay, "refundable credit", the bonds can only be issued to fund capital expenditures. As a result, most Build America Bond issuers have to produce tangible assets that are designed to provide a public benefit. Build America Bonds generally support facilities that meet such essential needs as water, electricity, transportation, and education. Moreover, many Build America Bonds are general obligation bonds, which are backed by the full faith and taxing power of the governments issuing them. Issuances of Build America Bonds will cease on December 31, 2010 unless the relevant provisions of the *American Recovery and Reinvestment Act of 2009* are extended. See "Overview of the Sector that the Fund Invests In" and "Risk Factors".

The Build America Bond Market: As of November 30, 2009, U.S. state and local governments have issued approximately U.S. $55.7 billion in Investment Grade Build America Bonds in the 10-month period since the Build America Bond program was established. Of these issues, approximately two-thirds are rated AA or higher by S&P and approximately one-half were greater than U.S. $250 million in size and are eligible for inclusion in the Barclays U.S. Aggregate Bond Index. Given the U.S. Federal government subsidy, the Sub-Advisor believes that U.S. state and local governments will continue to issue Build America Bonds over the remaining duration of the Build America Bond program. See "Overview of the Sector that the Fund Invests In".

Distributions: Based on the Indicative Portfolio, distributions are initially targeted to be $0.1198 per month per Unit, representing a yield of 5.75% per annum on the Unit issue price. The initial monthly distribution is payable to Unitholders of record on March 31, 2010 and will be paid no later than April 15, 2010. The first distribution is expected to reflect the period from the Closing Date to March 31, 2010. Based on the Indicative Portfolio and assuming (i) an aggregate size of the Offerings of $100 million, (ii) the employment of the investment strategy as described under "Investment Strategy", (iii) the use of leverage as described herein, and (iv) the fees and expenses described under "Fees and Expenses", it is expected that the Fund will be able to maintain a stable NAV and pay such distributions, however, it is not expected that Portfolio securities will be sold in order to meet targeted distributions. It is expected that monthly distributions received by Unitholders will consist primarily of returns of capital for tax purposes. Distributions in excess of such returns of capital are expected to be capital gains. See "Income Tax Considerations".

Hedging Strategy: In consultation with the Manager, the Sub-Advisor may and currently intends to employ a hedging strategy designed to mitigate the expected impact of significant interest rate increases on the Net Asset Value. See "Investment Strategy" and "Overview of the Investment Structure".

BAB Trust will be invested primarily in securities denominated in U.S. dollars. The Manager will take currency exposure into account in managing the Portfolio and will attempt to maximize the Fund's total returns in Canadian dollars. In addition, it is intended that substantially all of the value of the Portfolio that is exposed to U.S. dollars will be hedged back to the Canadian dollar.

The Forward Agreement: The return to the Unitholders and the Fund will be dependent upon the return on the Portfolio (or Notional Portfolio) by virtue of one or more forward purchase and sale agreements with the Counterparty. If the Counterparty hedges its exposure under the Forward Agreement, it or an affiliate may acquire units of BAB Trust. If the Counterparty or an affiliate does not acquire units in BAB Trust, the Manager will maintain a Notional Portfolio with an initial invested amount equal to the amount of the net proceeds of the Offerings. There is no assurance that the Counterparty will maintain a hedge or will do so with respect to the full amount or term of the Forward Agreement. The Fund will use the net proceeds of the Offerings to pre-pay its purchase obligations under the Forward Agreement. Pursuant to the Forward Agreement, the Counterparty has agreed to deliver to the Fund, on the Forward Termination Date, the Canadian Securities Portfolio with an aggregate value equal to (i) the redemption proceeds of all of the units of BAB Trust, or (ii) the value of the Notional Portfolio, as applicable, net of any leverage provided through the Forward Agreement and any amount owing by the Fund to the Counterparty. On or about the completion of the Offerings, BAB Trust expects to issue units to the Counterparty or an affiliate with an aggregate value equal to the net proceeds of the Offerings, the proceeds from which BAB Trust would use to acquire the Portfolio. The initial value of the Portfolio would be equal to the net proceeds of the Offerings. In such case, the return to the Fund will, by virtue of the Forward Agreement, be based on the return of BAB Trust, which, in turn, will be based on the performance of the Portfolio. If BAB Trust units are not acquired by the Counterparty or an affiliate, the return to the Fund, by virtue of the Forward Agreement, will be based on the performance of the Notional Portfolio. The Fund is fully exposed to the credit risk associated with the Counterparty in respect of the Forward Agreement. The Fund may settle the Forward Agreement in whole or in part prior to the Scheduled Forward Termination Date: (i) to fund distributions on the Units; (ii) to fund redemptions and repurchases of Units from time to time; (iii) to fund operating expenses and other liabilities of the Fund; and (iv) for any other reason. The Forward Agreement will also allow the Fund to leverage its exposure to BAB Trust or the Notional Portfolio by up to 25% of its Total Assets. This prospectus assumes that the Counterparty or an affiliate will acquire units of BAB Trust. See "Overview of the Investment Structure — The Forward Agreement".

The Offerings: The Fund is offering two classes of Units of the Fund, Class A Units and Class F Units, each at a price of $25.00 per Unit. See "Plan of Distribution". The Class F Units are designed for fee-based accounts and differ from the Class A Units in the following ways: (i) Class F Units will not be listed on a stock exchange; (ii) the Agents' fees payable on the issuance of the Class F Units are lower than the Class A Units; and (iii) the Service Fee is only payable in respect of the Class A Units. Accordingly, the Net Asset Value per Unit of each class will not be the same as a result of the different fees allocable to each class of Units. See "Fees and Expenses".

Redemption: Class A Units and Class F Units may be redeemed on the second last Business Day of July of each year commencing in 2011, subject to certain conditions, at the Redemption Net Assets per Unit (less associated costs). To effect such a redemption, Units must be surrendered by the last Business Day of June in the year of redemption. By virtue of the Forward Agreement, the Annual Redemption Price will be dependent upon the performance of BAB Trust or the Notional Portfolio. Payment of the Annual Redemption Price will be made on or before the Redemption Payment Date, subject to the Manager's right to suspend redemptions in certain circumstances. See "Redemption of Securities" and "Risk Factors — Risks Relating to Redemptions".

The Redemption Net Assets per Unit will vary depending on a number of factors. See "Calculation of Net Asset Value", "Redemption of Securities" and "Risk Factors".

Leverage: The Fund may employ leverage of up to 25% of its Total Assets pursuant to the Forward Agreement for the purposes of adding leverage to the Portfolio and such other short term funding purposes as may be determined by the Manager from time to time and in accordance with the Investment Strategy. Accordingly, the maximum amount of leverage that the Fund could employ is 1.33:1. Initially, the Fund is expected to employ leverage of 25% of Total Assets. See "Investment Strategy" and "Risk Factors".

Termination of the Fund:	The Fund will have 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. See "Termination of the Fund".
Repurchase of Class A Units:	The Fund may purchase (in the open market or by invitation for tenders) Class A Units for cancellation subject to applicable law and stock exchange requirements, based on the Manager's assessment that such purchases are accretive to Unitholders. See "Description of the Units — Purchase for Cancellation".
Use of Proceeds:	The net proceeds from the issue of the maximum number of Units offered hereby (after payment of the Agents' fee and the expenses of the Offerings) are estimated to be $117,787,500 assuming that the Over-Allotment Option is not exercised. The Fund will use the net proceeds of the Offerings (including any net proceeds from the exercise of the Over-Allotment Option) to pre-pay its purchase obligations under the Forward Agreement with the Counterparty. Under the Forward Agreement, the Fund will, on or about the Forward Termination Date, acquire the Canadian Securities Portfolio from the Counterparty having an aggregate value equal to (i) the redemption proceeds of all of the units of BAB Trust or (ii) the value of the Notional Portfolio, as applicable, net of any leverage provided through the Forward Agreement and any amount owing by the Fund to the Counterparty. See "Use of Proceeds".
Conversion of Class F Units:	A holder of Class F Units may convert Class F Units into Class A Units from time to time and it is expected that liquidity for the Class F Units will be obtained primarily by means of conversion into Class A Units. Class F Units may be converted in any week on the first Business Day of such week by delivering a notice and surrendering such Class F Units by 5:00 p.m. (Toronto time) at least 5 Business Days prior to the applicable Conversion Date. For each Class F Unit so converted, a holder will receive that number of Class A Units equal to the Net Asset Value per Class F Unit as of the close of trading on the Business Day immediately preceding the Conversion Date divided by the Net Asset Value per Class A Unit as of the close of trading on the Business Day immediately preceding the Conversion Date. No fractions of Class A Units will be issued upon any conversion of Class F Units; any fractional amounts will be rounded down to the nearest whole number of Class A Units. Based in part on the current published administrative policies and assessing practices of the CRA, a conversion of Class F Units into Class A Units will not constitute a disposition of the Class F Units for the purposes of the Tax Act. See "Description of the Units — Conversion of Class F Units"

Risk Factors:	An investment in Units is subject to certain risk factors, including: general risks of exposure to Build America Bonds and other Permissible Securities; municipal securities risks; municipal securities market risks; Build America Bonds market risks; risks of limited issuance; concentration risks; credit risks; maturity risks; risks of exposure to U.S. Treasury Securities and U.S. Government Agency Securities; re-investment risks; interest rate fluctuation risks; foreign exchange rate fluctuation risks; fluctuations in the value of Portfolio securities risks; leverage risks; term risks; recent global financial developments risks; that there is no assurance that the Fund or BAB Trust will be able to achieve their investment objectives or make distributions; risks relating to the composition of the Portfolio; Counterparty risks; risks relating to the use of derivatives; risks relating to securities lending; reliance on the Manager and Sub-Advisor; the fact that Class A Units may trade in the market at a discount to the Net Asset Value per Class A Unit; that there is no market for the Class F Units; risks relating to taxes; no ownership of Portfolio securities; changes in legislation and regulatory risk; the possible loss of investment; conflicts of interest; the status of the Fund under Canadian securities laws; risks relating to redemptions; the Fund's lack of operating history; the fact that the Fund is not a trust company; the nature of the Units; and risks relating to issuer credit ratings. See "Risk Factors".
Eligibility for Investment:	In the opinion of McCarthy Tétrault LLP, counsel for the Fund, and Stikeman Elliott LLP, counsel for the Agents, provided that the Fund qualifies as a mutual fund trust within the meaning of the Tax Act or, in the case of Class A Units, such Units are listed on a designated stock exchange (which includes the TSX), the Units will be qualified investments under the Tax Act 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. Holders of tax-free savings accounts should consult with their tax advisors as to whether Units would be a prohibited investment in their particular circumstances. See "Canadian Federal Income Tax Considerations".
Canadian Federal Income Tax Considerations:	The Fund intends to distribute the amount of its income for each taxation year so that it will generally not be liable for income tax under the Tax Act. A Unitholder will generally be required to include, in computing income for a taxation year, the amount of the Fund's net income for the taxation year, including net realized taxable capital gains, paid or payable to the Unitholder in the taxation year. The Fund intends to make designations so that the portion of net realized taxable capital gains of the Fund that are distributed to Unitholders will be treated as taxable capital gains to Unitholders. Distributions by the Fund to a Unitholder in excess of the Unitholder's share of net income and the full amount of the Fund's net realized capital gains will reduce the adjusted cost base of the Unitholder's Units. Upon the disposition of Units held as capital property, Unitholders will realize capital gains or capital losses. Prospective investors should consult their own tax advisors with respect to the income tax consequences of investing in Units, based upon their own particular circumstances. See "Canadian Federal Income Tax Considerations".
Organization and Management of the Fund:	***Manager and Promoter*:** Connor, Clark & Lunn Capital Markets Inc. will act as Manager of the Fund and BAB Trust. The Manager will perform or will arrange for the

performance of management services for the Fund and will be responsible for the overall undertaking of the Fund. The Manager is a leading provider of investment products raising more than $1.5 billion in assets. The Manager is part of the Connor, Clark & Lunn Financial Group, which is responsible for the investment of approximately $35 billion in financial assets as at September 30, 2009. See "Organization and Management Details of the Fund — The Manager".

***Sub-Advisor*:**

Nuveen Asset Management will act as the Sub-Advisor to BAB Trust in connection with the selection, composition, purchase and sale of Build America Bonds and other Permissible Securities. Founded in 1898 and based in Chicago, Illinois, Nuveen Investments, Inc. and its affiliates had approximately U.S. $140 billion in assets under management as of September 30, 2009. The Sub-Advisor, Nuveen Asset Management, is a wholly-owned subsidiary of Nuveen Investments, Inc. and is one of the largest managers of municipal bonds in the world. As at September 30, 2009, the Sub-Advisor had approximately U.S. $68.8 billion in municipal securities under management. See "Organization and Management Details of the Fund — The Sub-Advisor"

***Trustee*:**

RBC Dexia Investor Services Trust will act as Trustee of the Fund and BAB Trust. The Trustee's office is located in Toronto, Ontario.

***BAB Trust*:**

BAB Trust will be a newly created investment fund established prior to the Closing Date pursuant to BAB Trust Agreement for the purpose of acquiring the Portfolio. The registered office of BAB Trust is located in Toronto, Ontario.

***Auditors*:**

PricewaterhouseCoopers LLP, Chartered Accountants, at its offices in Toronto, Ontario, are the auditors of the Fund.

***Custodian*:**

RBC Dexia Investor Services Trust will act as custodian of the assets of the Fund and BAB Trust. The Custodian is located in Toronto, Ontario.

***Registrar and Transfer Agent*:**

Computershare Investor Services Trust, at its office in Toronto, Ontario, will maintain the securities registers of the Units and register transfers of the Units.

Agents:

BMO Nesbitt Burns Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., HSBC Securities (Canada) Inc., National Bank Financial Inc., TD Securities Inc., GMP Securities L.P., Macquarie Capital Markets Canada Ltd., Canaccord Financial Ltd., Dundee Securities Corporation, Raymond James Ltd., Desjardins Securities Inc., Research Capital Corporation and Wellington West Capital Markets Inc., as agents, conditionally offer the Units for sale, subject to prior sale, on a best efforts basis, if, as and when issued by the Fund in accordance with the conditions contained in the Agency Agreement referred to under "Plan of Distribution".

The Fund has granted to the Agents an Over-Allotment Option, exercisable for a period of 30 days from the Closing Date, to offer additional Class A Units in an amount up to 15% of the Class A Units sold on the Closing Date on the same terms as set forth above solely to cover over-allotments, if any. If the Over-Allotment Option is exercised in full under the maximum Offerings, the price to the public, Agents' fee and net proceeds to the Fund are estimated to be $143,750,000, $7,546,875 and $136,203,125, respectively. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Class A Units issuable on the exercise of the Over-Allotment Option. A purchaser who acquires Class A Units forming part of the Over-Allotment Option acquires such Class A Units under this prospectus, regardless of whether the Over-Allotment Option is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "Plan of Distribution".

Agents' position	Maximum size	Exercise period	Exercise price
Over-Allotment Option	750,000 Class A Units	Within 30 days following the Closing Date	$25.00 per Class A Unit

SUMMARY OF FEES AND EXPENSES

The following table contains a summary of the fees and expenses payable by the Fund and BAB Trust, which will therefore reduce the value of a Unitholder's investment in the Fund. For further particulars, see "Fees and Expenses".

Type of fee	Amount and description
Agents' Fee:	$1.3125 per Class A Unit (5.25%) and $0.5625 per Class F Unit (2.25%). The Agents' Fee will be paid out of the proceeds of the Offerings.
Expenses of the Offerings:	The expenses of the Offerings are estimated to be $650,000 (but not to exceed 1.5% of the gross proceeds of the Offerings) which, together with the Agents' fee, will be paid by the Fund.
Management Fee:	The Manager will receive a Management Fee from the Fund and BAB Trust equal in the aggregate to 0.80% per annum of the applicable Net Asset Value (0.30% from the Fund and 0.50% from BAB Trust), calculated and payable monthly in arrears, plus applicable taxes. The Manager will be responsible for paying the fees of the Sub-Advisor out of the amount received by the Manager. See "Fees and Expenses — Management Fee".
Service Fee:	The Fund will pay to the Manager a Service Fee (calculated quarterly and paid as soon as practicable after the end of each calendar quarter), solely with respect to the Class A Units, equal to 0.30% per annum of the Net Asset Value attributable to the Class A Units, plus applicable taxes. The Service Fee will be applied by the Manager to pay a service fee in an equivalent aggregate amount, plus applicable taxes, to brokers based on the number of Class A Units held by clients of such brokers at the end of the relevant quarter. No Service Fee is payable in respect of the Class F Units. See "Fees and Expenses — Service Fee".
Counterparty Fees:	The Fund will pay to the Counterparty an additional purchase amount under the Forward Agreement of 0.35% of Total Assets per annum, paid quarterly. See "Fees and Expenses — Counterparty Fees".
Ongoing expenses of the Fund and BAB Trust:	Each of the Fund and BAB Trust will pay for all of its respective expenses incurred in connection with its operation and administration, estimated to be $150,000 for the Fund and $50,000 for BAB Trust per annum (assuming an aggregate size of the Offerings of approximately $100 million). Each of the Fund and BAB Trust will also be responsible for its costs of portfolio transactions and any extraordinary expenses which may be incurred from time to time. See "Fees and Expenses — Ongoing Expenses".

Information in this prospectus that is not current or historical factual information may constitute forward looking information within the meaning of securities laws, and actual results may vary from the forward looking information. Implicit in this information are assumptions regarding future operations, plans, expectations, anticipations, estimates and intentions, such as the Fund's plans to obtain exposure to Build America Bonds and other Permissible Securities. These assumptions, although considered reasonable by the Fund at the time of preparation, may prove to be incorrect. Readers are cautioned that actual future operating results and economic performance of the Fund are subject to a number of risks and uncertainties. See "Risk Factors" for a list of material risk factors. Forward looking information contained in this prospectus is based on current estimates, expectations and projections, which the Fund believes are reasonable as of the date of this prospectus. The Fund uses forward looking statements because it believes such statements provide useful information with respect to the future operation and financial performance of the Fund, and cautions readers that the information may not be appropriate for other purposes. Readers should not place undue importance on forward looking information and should not rely upon this information as of any other date. While the Fund may elect to, it does not undertake to update this information at any particular time.

GLOSSARY OF TERMS

In this prospectus, the following terms have the meanings set forth below, unless otherwise indicated.

"**Additional Distribution**" means a distribution that, if necessary, will be made in each year to Unitholders of record on December 31 in order that the Fund will generally not be liable to pay income tax, as described under "Distributions".

"**Agency Agreement**" means the agency agreement dated as of the date hereof among the Fund, the Manager, the Sub-Advisor and the Agents.

"**Agents**" means, collectively, BMO Nesbitt Burns Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., HSBC Securities (Canada) Inc., National Bank Financial Inc., TD Securities Inc., GMP Securities L.P., Macquarie Capital Markets Canada Inc., Canaccord Financial Ltd., Dundee Securities Corporation, Raymond James Ltd., Desjardins Securities Inc., Research Capital Corporation and Wellington West Capital Markets Inc.

"**Annual Redemption Date**" means the second last Business Day of July of each year, commencing in 2011.

"**Annual Redemption Price**" means a redemption price per Unit equal to 100% of the Redemption Net Assets per Unit of the relevant class on an Annual Redemption Date (less any costs associated with the redemption, including brokerage costs and any net realized capital gains to the Fund that are distributed to a Unitholder concurrently with the proceeds of disposition on redemption).

"**Approved Rating**" means the long term debt rating of the Counterparty or each successor counterparty of at least A by S&P or an equivalent rating from DBRS Limited, Moody's Investors Service, Inc., Fitch Ratings, or any of their respective successors.

"**BAB Trust**" means a newly created investment fund that will be established prior to Closing.

"**BAB Trust Agreement**" means the trust agreement governing BAB Trust dated as of the date hereof, as it may be amended from time to time.

"**Bonds**" means debt securities with a term to maturity greater than one year.

"**Book-Entry Only System**" means the book-entry only system administered by CDS.

"**Build America Bonds**" means taxable bonds issued pursuant to the *American Recovery and Reinvestment Act* of 2009 or other related, similar or successor legislation.

"**Business Day**" means any day except Saturday, Sunday, a statutory holiday in Toronto, Ontario or any other day on which the TSX is not open for trading.

"**Canadian Securities Portfolio**" means a specified portfolio of securities of Canadian public issuers that are "Canadian securities" as defined in subsection 39(6) of the Tax Act and are listed on the TSX.

"**CDS**" means CDS Clearing and Depository Services Inc. and includes any successor corporation or any other depository subsequently appointed by the Fund as the depository in respect of the Units.

"**CDS Participant**" means a broker, dealer, bank or other financial institution or other person for whom, from time to time, CDS effects book entries for the Units deposited with CDS.

"**Class A Meeting**" means a meeting of holders of Class A Units called in accordance with the Fund Trust Agreement.

"**Class A Units**" means the transferable, redeemable units of the Fund designated as "Class A Units".

"**Class F Meeting**" means a meeting of holders of Class F Units called in accordance with the Fund Trust Agreement.

"**Class F Units**" means the transferable, redeemable units of the Fund designated as "Class F Units".

"**Closing**" means the issuance of Units pursuant to this prospectus on the Closing Date.

"**Closing Date**" means the date of the Closing, which is expected to be on or about February 18, 2010 or such later date as the Fund and the Agents may agree, but in any event not later than April 19, 2010.

"**Closing Market Price**" in respect of a security on a Monthly Redemption Date means the closing price of such security on the TSX on such Monthly Redemption Date (or such other stock exchange on which such security is listed) or, if there was no trade on the relevant Monthly Redemption Date, the average of the last bid and the last asking prices of the security on the TSX on such Monthly Redemption Date (or such other stock exchange on which the security is listed).

"**Counterparty**" means the Canadian chartered bank or affiliate thereof which is the counterparty under the Forward Agreement provided that the Counterparty or its guarantor must have an Approved Rating.

"**CRA**" means the Canada Revenue Agency.

"**Custodian**" means RBC Dexia Investor Services Trust, in its capacity as custodian under the Trust Agreement.

"**Effective Duration**" is a measure of the estimated percentage change in price for a 100 basis point change in interest rates and takes into consideration changes in cash flows and values that can occur in bonds with embedded options such as call and put provisions.

"**Extraordinary Resolution**" means a resolution passed by the 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.

"**Forward Agreement**" means one or more forward purchase and sale agreements between the Fund and the Counterparty, as such agreements may be amended from time to time.

"**Forward Termination Date**" means the earlier of: (i) the Scheduled Forward Termination Date, and (ii) any other date upon which the Forward Agreement is terminated in accordance with its terms.

"**Fund**" means Build America Investment Grade Bond Fund, an investment fund established under the laws of the Province of Ontario and governed by the Fund Trust Agreement.

"**Fund Trust Agreement**" means the trust agreement governing the Fund dated as of the date hereof, as it may be amended from time to time.

"**Independent Review Committee**" has the meaning given in "Organization and Management Details of the Fund — Independent Review Committee".

"**Indicative Portfolio**" means the securities that would have comprised the Portfolio if it had been formed on December 14, 2009.

"**Investment Grade**" means a rating at the time of purchase of BBB or higher by S&P (or the equivalent by at least one independent rating agency) or, if unrated, judged by the Sub-Advisor to be of comparable quality.

"**Manager**" means the manager of the Fund and of BAB Trust, namely Connor, Clark & Lunn Capital Markets Inc., and if applicable, its successor.

"**Management Fee**" means the management fee payable to the Manager by the Fund and BAB Trust as more fully described under "Fees and Expenses — Management Fee".

"**Market Price**" in respect of a security on a Monthly Redemption Date means the weighted average trading price on the TSX (or such other stock exchange on which such security is listed), for the 10 trading days immediately preceding such Monthly Redemption Date.

"**Monthly Redemption Amount**" means the redemption price per Class A Unit equal to the lesser of: (i) 95% of the Market Price of a Class A Unit and (ii) 100% of the Closing Market Price of a Class A Unit on the applicable Monthly Redemption Date less, in each case, any costs associated with the redemption, including brokerage costs.

"**Monthly Redemption Date**" means the second last Business Day of each month other than, commencing in 2011, the month of July.

"**Net Asset Value**" or "**NAV**" means the net asset value of the Fund or BAB Trust, as applicable, as determined by subtracting the aggregate liabilities of the Fund or BAB Trust, as applicable, from the Total Assets of the Fund or BAB Trust, as applicable, in each case on the date on which the calculation is being made, as more fully described under "Calculation of Net Asset Value".

"**Net Asset Value per Unit**" means the Net Asset Value of the Fund attributable to the Class A Units or Class F Units, as applicable, divided by the total number of Class A Units or Class F Units, as applicable, outstanding on the date on which the calculation is being made.

"**NI 81-107**" means National Instrument 81-107 — *Independent Review Committee for Investment Funds* of the Canadian Securities Administrators, as amended from time to time.

"**Non-Resident Unitholder**" means a Unitholder who, for the purposes of the Tax Act, and at the relevant time, is not resident in Canada and is not deemed to be resident in Canada, does not use or hold, and is not deemed to use or hold, Units in, or in the course of carrying on, a business in Canada, and is not an insurer who carries on an insurance business in Canada and elsewhere.

"**Notional Portfolio**" means a notional portfolio of securities which will be maintained by the Manager in the event that the Counterparty or an affiliate does not acquire units of BAB Trust, with an initial principal amount equal to the net proceeds of the Offerings (less any amount invested by the Fund directly into a portfolio of Canadian securities).

"**Offerings**" means, collectively, the offering of Class A Units at a price of $25.00 per Class A Unit, the offering of Class F Units at a price of $25.00 per Class F Unit and the offering of additional Class A Units under the Over-Allotment Option, all pursuant to this prospectus.

"**Ordinary Resolution**" means a resolution passed by the affirmative vote of at least a majority of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of considering such resolution.

"**Over-Allotment Option**" means the option granted by the Fund to the Agents, exercisable for a period of 30 days from the Closing Date, to offer additional Class A Units at $25.00 per Class A Unit in an amount up to 15% of the Units sold on Closing, solely to cover over-allotments, if any.

"**Permissible Securities**" means U.S. Treasury Securities, U.S. Government Agency Securities, other Investment Grade (measured at time of purchase) municipal obligations and cash and cash equivalents.

"**Portfolio**" means the portfolio of securities acquired and held by BAB Trust from time to time.

"**Redemption Net Assets per Unit**" means the net assets of the Fund on a per Unit basis, calculated in a similar manner to the calculation of the Net Asset Value per Unit except that, for the purposes of calculating the net assets of the Fund, the value of the Forward Agreement will be determined on the basis that any bonds, debentures and other debt obligations that are owned by BAB Trust will be valued by taking the bid price on the Valuation Date.

"**Redemption Payment Date**" means the 10th Business Day of the month immediately following an Annual Redemption Date or a Monthly Redemption Date, as applicable.

"**Registered Plan**" means a registered retirement savings plan, a registered retirement income fund, a deferred profit sharing plan, a registered education savings plan, a registered disability savings plan and a tax-free savings account.

"**Registrar, Transfer Agency and Distribution Agency Agreement**" means the registrar, transfer agency and distribution agency agreement to be dated on or about the Closing Date between the Fund and Computershare Investor Services Inc., as it may be amended from time to time.

"**S&P**" means Standard & Poor's, a division of The McGraw Hill Companies, Inc.

"**Service Fee**" means the fee in respect of the Class A Units that the Fund will pay to the Manager, who in turn will pay an equivalent amount to dealers, as more fully described under "Fees and Expenses — Service Fee".

"**Scheduled Forward Termination Date**" means February 27, 2015.

"**SIFT Rules**" means the rules in the Tax Act which apply to a SIFT Trust and its unitholders.

"**SIFT Trust**" means a "specified investment flow-through trust" for the purposes of the Tax Act.

"**Sub-Advisor**" means the sub-advisor of BAB Trust, namely Nuveen Asset Management, and if applicable, its successor.

"**Sub-Advisor Agreement**" means the agreement to be dated on or about the Closing Date between the Sub-Advisor and the Manager with respect to BAB Trust, as it may be amended from time to time.

"**Tax Act**" means the *Income Tax Act* (Canada), as now or hereafter amended, or successor statutes, and includes regulations promulgated thereunder.

"**Tax Proposals**" means 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.

"**Termination Date**" means February 27, 2015.

"**Total Assets**" means the aggregate value of the assets of the Fund or BAB Trust, as applicable.

"**Trust Agreements**" means the Fund Trust Agreement and the BAB Trust Agreement.

"**Trustee**" means RBC Dexia Investor Services Trust, in its capacity as trustee under the Fund Trust Agreement and the BAB Trust Agreement.

"**TSX**" means the Toronto Stock Exchange.

"**United States**" or "**U.S.**" means the United States of America, its territories and possessions, any state thereof, and the District of Columbia.

"**U.S. Government Agency Securities**" means Investment Grade debt instruments issued or guaranteed by a U.S. government agency or instrumentality, including any security or agreement collateralized or otherwise secured thereby.

"**U.S. Treasury Securities**" means Investment Grade debt instruments issued by the U.S. Treasury, including any security or agreement collateralized or otherwise secured thereby.

"**Units**" means the Class A Units and/or the Class F Units issued by the Fund pursuant to the Offerings, as applicable.

"**Unitholders**" means the owners of the beneficial interest in the Units.

"**Valuation Agent**" means the valuation agent and, until its replacement is appointed by the Manager, means the Trustee.

"**Valuation Date**" means, at a minimum, Friday of each week, or if any Friday is not a Business Day, the immediately preceding Business Day, and the last Business Day of each month, and includes any other date on which the Manager elects, in its discretion, to calculate the Net Asset Value per Unit.

OVERVIEW OF THE STRUCTURE OF THE FUND

Legal Structure

Build America Investment Grade Bond Fund is an investment fund established under the laws of the Province of Ontario and governed by the Fund Trust Agreement. Connor, Clark & Lunn Capital Markets Inc. will act as Manager of the Fund and will perform or will arrange for the performance of management services for the Fund and will be responsible for the overall undertaking of the Fund. The Fund's principal office is at 181 University Avenue, Suite 300, Toronto, Ontario M5H 3M7. The fiscal year-end of the Fund is September 30. The beneficial interest in the net assets and net income of the Fund is divided into units of two classes, Class A Units and Class F Units. The Fund is authorized to issue an unlimited number of Units of each class. The Class F Units are designed for fee-based accounts and differ from the Class A Units in the following ways: (i) Class F Units will not be listed on a stock exchange; (ii) the Agents' fees payable on the issuance of Class F Units are lower than the Class A Units; and (iii) the Service Fee is only payable in respect of the Class A Units. Accordingly, the Net Asset Value per Unit of each class of Units will not be the same as a result of different fees allocable to each class of Units. See "Fees and Expenses".

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.

Rationale for the Fund

The Fund was established to provide investors with exposure to a portfolio comprised primarily of Investment Grade Build America Bonds actively managed by the Sub-Advisor. The Sub-Advisor is one of the largest managers of municipal bonds in the world, with approximately U.S. $68.8 billion in municipal securities under management as at September 30, 2009. The Sub-Advisor takes a fundamental, credit research-based approach that drives its total return orientation and has one of the largest research staffs dedicated to municipal bonds in the industry with over 17 analysts.

Build America Bonds are bonds issued by U.S. state and local governments to finance capital projects that meet essential needs such as public schools, roads, water and transportation infrastructure, bridges, ports and public buildings, among others, pursuant to the *American Recovery and Reinvestment Act of 2009* or other related, similar or successor legislation. Most issuers of Build America Bonds receive a subsidy from the U.S. federal government equal to 35% of the interest paid to investors, which allows such issuers to issue bonds that pay interest rates that are competitive with the rates typically paid by private bond issuers. This form of government bond, with the credit going to the issuer, makes the bonds attractive to entities that pay no U.S. income tax, such as pension plans and non-U.S. investors, as well as to investors seeking potential high rates of interest income. Build America Bonds are restricted from private activity purposes and, for issuers that elect to receive a direct-pay, "refundable credit", the bonds can only be issued to fund capital expenditures. As a result, most Build America Bond issuers have to produce tangible assets that are designed to provide a public benefit. Build America Bonds generally support facilities that meet such essential needs as water, electricity, transportation, and education. Moreover, many Build America Bonds are general obligation bonds, which are backed by the full faith and taxing power of the governments issuing them. See "Risk Factors".

The Sub-Advisor believes that Build America Bonds offer a compelling yield opportunity when compared with equivalently rated corporate bonds. Investment Grade municipal issuers, which include issuers under the Build America Bonds program, have historically had lower historical default rates than AAA rated corporate bonds.

INVESTMENT OBJECTIVES

The Fund's investment objectives are to (i) provide Unitholders with monthly tax-advantaged cash distributions, and (ii) maximize total return for Unitholders, while seeking to reduce risk. Distributions are initially targeted to be $0.1198 per month per Unit consisting primarily of returns of capital, representing a yield on the Unit issue price of 5.75% per annum. See "Investment Objectives". The Fund will seek to achieve its investment objectives through exposure to 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 the Sub-Advisor to be of comparable quality.

INVESTMENT STRATEGY

Investment Strategy

The Fund will seek to achieve its investment objectives through exposure to 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 the Sub-Advisor to be of comparable quality. The Portfolio may retain securities that, after purchase, subsequently cease to meet such rating standards. The Portfolio will include a minimum of 80% Build America Bonds (measured at the time of purchase), with the remainder of the Portfolio, if any, to be comprised of other Permissible Securities. The Fund may use derivatives for hedging purposes only.

The Fund may employ leverage of up to 25% of its Total Assets pursuant to the Forward Agreement for the purposes of adding leverage to the Portfolio and such other short term funding purposes as may be determined by the Manager from time to time and in accordance with the Investment Strategy. Accordingly, the maximum amount of leverage that the Fund could employ is 1.33:1. Initially, the Fund is expected to employ leverage of 25% of Total Assets.

Founded in 1898, Nuveen Investments, Inc. and its affiliates had approximately U.S. $140 billion in assets under management as of September 30, 2009. The Sub-Advisor, Nuveen Asset Management, is a wholly-owned subsidiary of Nuveen Investments, Inc. and is one of the largest managers of municipal bonds in the world. As at September 30, 2009, the Sub-Advisor had approximately U.S. $68.8 billion in municipal securities under management.

The Sub-Advisor employs over 17 analysts dedicated exclusively to evaluating opportunities in municipal bonds, including Build America Bonds, across all sectors and risk profiles. These analysts produce in-house, proprietary research to assist portfolio managers in making investment decisions. The Sub-Advisor's investment process extends beyond examining the issuer's financial profile and includes an extensive review of the security and collateral provisions, market position and market health. Analysis is supplemented by meetings with management. Securities chosen for investment are reviewed on a regular basis. The Sub-Advisor also has a dedicated trading desk, which maintains close relations with the broker-dealer community.

The Sub-Advisor has the analytical resources and capacity to look for compelling investment opportunities in bond issues across the entire range of sizes. The bonds to which the Fund is exposed may or may not be included in Barclays Capital Aggregate Bond Index. Build America Bonds included in the Barclays Capital Aggregate Bond Index have generally offered lower yields than similar non-index issues. The Sub-Advisor may utilize its analytical resources to identify and invest in non-index Build America Bonds that offer the same or similar credit quality as issues included in the index but at more attractive yields.

In consultation with the Manager, the Sub-Advisor may and currently intends to employ a hedging strategy designed to mitigate the expected impact of significant interest rate increases on the Net Asset Value. In addition to their principal investment strategies, BAB Trust may also use various investment strategies designed to limit the risk of bond price fluctuations and to preserve capital, or alternatively to lengthen or shorten the Portfolio's Effective Duration. These strategies may include using financial futures contracts, swap contracts, options on financial futures, options on swap contracts or other derivative securities whose prices, in the Sub-Advisor's opinion, correlate with the prices of the Portfolio's investments. BAB Trust may use these strategies to shorten or lengthen the Effective Duration, and therefore the interest rate risk, of the Portfolio, and to adjust other aspects of the Portfolio's risk/return profile. BAB Trust may use these strategies if the

Sub-Advisor deems it more efficient from a transaction cost, total return or income standpoint than selling and/or investing in cash securities.

BAB Trust will be invested primarily in securities denominated in U.S. dollars. The Manager will take currency exposure into account in managing the Portfolio and will attempt to maximize the Fund's total returns in Canadian dollars. In addition, it is intended that substantially all of the value of the Portfolio that is exposed to U.S. dollars will be hedged back to the Canadian dollar.

In order to generate additional returns, BAB Trust may lend Portfolio securities to securities borrowers acceptable to BAB Trust pursuant to the terms of a securities lending agreement between BAB Trust and any such borrower under which: (i) the borrower will pay to BAB Trust a negotiated securities lending fee and will make compensation payments to BAB Trust equal to any distributions received by the borrower on the securities borrowed; (ii) the securities loans must qualify as "securities lending arrangements" for the purposes of the Tax Act; and (iii) BAB Trust will receive collateral security in the form of cash or qualified securities (as defined in NI 81-102) with a value equal to or greater than 102% of the market value of the loaned securities, measured at the close of trading on each business day. If a securities lending agent is appointed for BAB Trust, such agent will be responsible for the ongoing administration of the securities loans, including the obligation to mark-to-market the collateral on a daily basis.

Indicative Portfolio Composition

As at December 14, 2009, securities in the Indicative Portfolio had a weighted average Investment Grade credit rating of "AA−" by S&P (or equivalent), a yield to maturity of 6.51%, a current yield of 6.53% and average Effective Duration of 11.1 years. The current yield was calculated by dividing the weighted average annual coupon amount of the securities in the Indicative Portfolio by the weighted average market price of such securities. It is expected that the securities in the Indicative Portfolio will mature after the Fund's scheduled termination date and, therefore, the yield to maturity is not illustrative of the potential return of the Indicative Portfolio over the term of the Fund.

The securities held in the Portfolio may be different than the securities in the Indicative Portfolio. Therefore, there is a risk that the yields earned by the Portfolio may be significantly different than the indicated yields of the Indicative Portfolio. Furthermore, the yields generated by the Portfolio are subject to a number of risk factors and investors are encouraged to review the Risk Factors section of this prospectus.

The Portfolio will be actively managed by the Sub-Advisor with respect to the selection, composition, purchase and sale of Build America Bonds and other Permissible Securities. Security selection, sector allocation, and credit ratings will vary over time based on market conditions and opportunities.

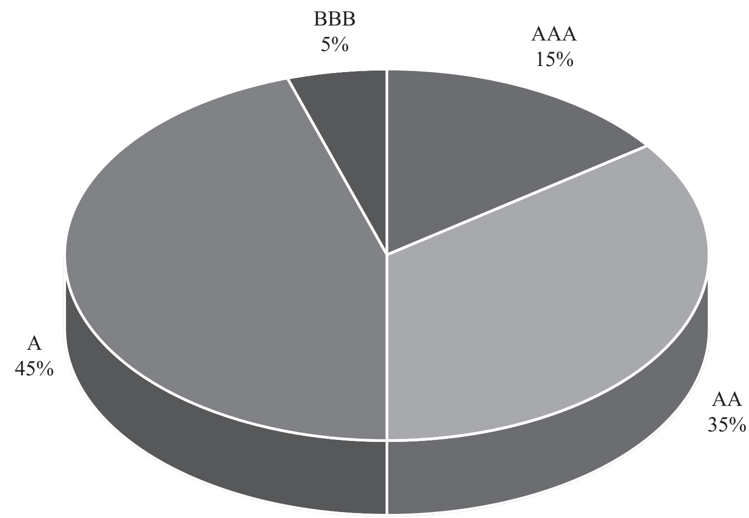
The Indicative Portfolio is illustrative of the securities that the Sub-Advisor would have invested in the Portfolio as of December 14, 2009 and the Portfolio may have a different allocation of securities than the allocation indicated in the Indicative Portfolio.

The following table shows the securities in the Indicative Portfolio by category of investment:

Category of investment	Permitted range	Percentage of Indicative Portfolio
Build America Bonds	80% – 100%	90.5%
Other Permissible Securities	0% – 20%	9.5%

The following chart shows the composition of the Indicative Portfolio by rating distribution:

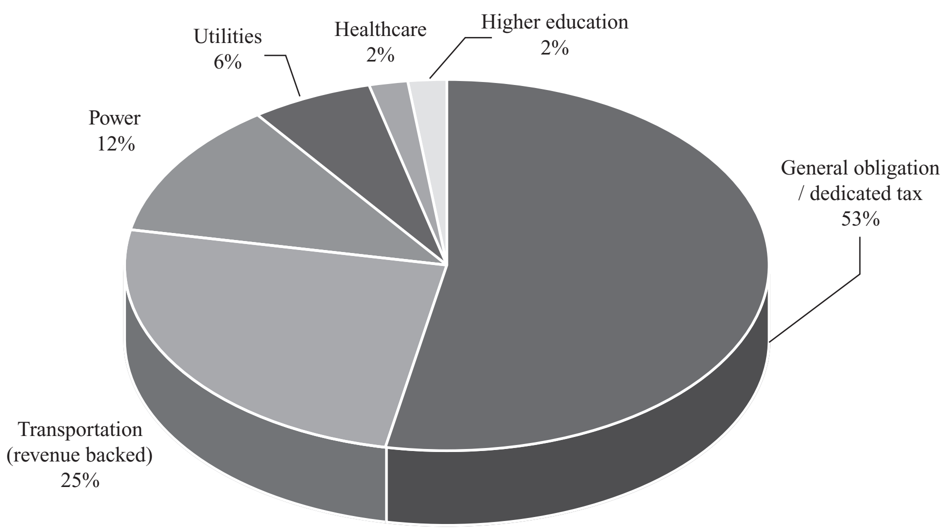
Indicative Portfolio Composition by Rating



Source: Bloomberg.

The following chart shows the composition of the Indicative Portfolio by sector distribution:

Indicative Portfolio Composition by Sector



Source: Bloomberg.

The following is a list of the securities in the Indicative Portfolio:

Issuer name (abbreviated)	Coupon	Maturity	Rating Moody's/S&P/Fitch	Sector
City of Phoenix	5.269%	07/01/2034	Aa1 / AAA / –	General obligation
Washington Regional Transit Authority	5.491%	11/01/2039	Aa3 / AAA / AAA	Sales tax (transit)
Utah Transit Authority	5.937%	06/15/2039	Aa3 / AAA / AA	Sales tax (transit)
State of New York Dormitory Authority	5.628%	03/15/2039	AAA / – / AA–	Income tax

Issuer name (abbreviated)	Coupon	Maturity	Rating Moody's/S&P/Fitch	Sector
Dallas County Hospital District	6.171%	08/15/2034	AAA / − / AAA	General obligation
Metropolitan Water District (Southern California)	6.538%	07/01/2039	Aa2 / AAA / AA+	Water/sewer
State of Florida Board of Education	5.750%	06/01/2039	Aa1 / AAA / AA+	General obligation
New York City Transitional Finance Authority	6.267%	08/01/2039	Aa2 / AAA / AA+	Income tax
University of Kentucky	5.700%	11/01/2039	Aa3 / AA− / −	Higher education
Metropolitan Transportation Authority	7.336%	11/15/2039	AA / A+	Revenue (transit)
State of Illinois	5.100%	06/01/2033	A1 / AA− / A	General obligation
Indiana Finance Authority	6.596%	02/01/2039	Aa3 / AA+ / AA	Lease revenue
Los Angeles Unified School District	5.750%	07/01/2034	Aa3 / AA− / −	General obligation
Chicago Transit Authority	6.899%	12/01/2040	Aa3 / AA+ / −	Sales tax (transit)
North Carolina Turnpike Authority	6.700%	01/01/2039	Aa2 / AA / AA−	Misc. revenue (transit)
Port of Seattle	7.000%	05/01/2036	Aa2 / AA− / AA	Port revenues
New Jersey Transportation Authority	6.875%	12/15/2039	A1 / AA− / A+	Revenue (transit)
State of Iowa IJOBS Program	6.750%	06/01/2034	Aa3 / AA / −	Multiple revenues
New York City Municipal Water Authority	6.250%	06/15/2041	Aa3 / AA+ / AA	Water/sewer
City and County of Honolulu	6.300%	09/01/2034	Aa2 / AA / AA	General obligation
Pasco County Florida	6.760%	10/01/2039	Aa3 / AA / AA−	Water/sewer
State of Michigan	7.625%	09/15/2027	Aa3 / AA / −	Highway tolls
Clark County Nevada Airport System	6.881%	07/01/2042	Aa2 / AA− / −	Airport revs
South Broward Hospital District	7.278%	05/01/2044	Aa3 / AA− / −	Healthcare
Sacramento Municipal Utility District	6.322%	05/15/2036	A1 / A+ / A	Electric utility
New Jersey Turnpike Authority	7.414%	01/01/2040	A3 / A+ / A	Highway tolls
North Carolina Municipal Power Agency	6.184%	01/01/2032	A2 / A / A	Electric utility
Metropolitan Transportation Authority	5.871%	11/15/2039	A2 / A / A	Revenue (transit)
North Texas Tollway Authority	6.718%	01/01/2049	A2 / A− / −	Highway tolls
City and County of San Francisco	6.487%	11/01/2041	A1 / AA− / A+	Lease revenue
City of Waterbury Connecticut	7.089%	12/01/2038	− / A− / A−	General obligation
Washington Metropolitan Transit Authority	7.000%	07/01/2034	A1 / A / −	Revenue (transit)
The School Board of Broward County Florida	7.400%	07/01/2034	A1 / A+ / A+	Lease revenue
Croswell & Lexington Community Schools	6.050%	05/01/2029	A+ under (AA−)	General obligation
City of Hamilton Ohio Electric System	6.600%	10/01/2039	A3 under (Aa2)	Electric utility
Miami-Dade County Florida Transit System	6.910%	07/01/2039	A1 / AA / A+	Sales tax (transit)
American Municipal Power Inc.	6.553%	02/15/2039	A1 / A / A	Electric utility
Edgewood City School District	7.500%	12/01/2037	A2 / A+	General obligation
Board of Education (Berea City, Ohio)	7.250%	10/01/2039	A3 / − / −	Lease revenue

Issuer name (abbreviated)	Coupon	Maturity	Rating Moody's/S&P/Fitch	Sector
South Jersey Transportation Authority	7.000%	11/01/2038	A3 / A− / BBB+	Highway tolls
Dulles Toll Road	7.462%	10/01/2046	Baa1 / BBB+	Highway tolls
State of California	7.550%	04/01/2039	Baa1 / A / BBB	General obligation
State Public Works Board (California)	8.361%	10/01/2034	Baa2 / A− / BBB−	Lease revenue

Investment Management Approach of the Portfolio

The Portfolio will be actively managed by the Sub-Advisor 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.

The Sub-Advisor's approach includes attention to the following factors:

Managing Multi-Faceted Risks. Risk in the Build America Bond market is derived from multiple sources, including credit risk at the issuer and sector levels, structural risks such as call risk, yield curve risk, and other risks. The Sub-Advisor believes that managing these risks at both the individual security and portfolio levels is an important element of realizing the income and total return potential of the asset class.

Opportunities to Identify Underrated and Undervalued Build America Bonds. Within the state and national Build America Bond markets, there are issuers with a wide array of financing purposes, security terms, offering structures and credit quality. The Sub-Advisor believes that the size, depth and other characteristics of the state and national Build America Bond markets offer a broad opportunity set of individual issuers in securities that may be underrated and undervalued relative to the general market.

Market Inefficiencies. The Sub-Advisor believes that the scale and intricacy of the Build America Bond market often results in pricing anomalies and other inefficiencies that can be identified and capitalized on through trading strategies.

Investment Process

The Sub-Advisor employs a bottom-up, research-driven investment strategy that seeks to identify underrated and undervalued Build America Bonds and sectors to potentially outperform the general municipal securities market over time. The primary elements of the Sub-Advisor's investment process are:

Credit Analysis and Surveillance. The Sub-Advisor focuses on bottom-up, fundamental analysis of municipal securities issuers. Analysts screen each sector for issuers that meet the fundamental tests of creditworthiness and favour those securities with demonstrable growth potential, solid coverage of debt service and a priority lien on hard assets, dedicated revenue streams or tax resources. As part of the Sub-Advisor's overall risk management process, analysts actively monitor the credit quality of portfolio holdings.

Sector Analysis. Organized by sector, analysts continually assess the key issues and trends affecting each sector in order to maintain a sector outlook. Evaluating such factors as historical default rates and average credit spreads within each sector, analysts provide top-down analysis that supports decisions to overweight or underweight a given sector in a portfolio.

Managing Risk. The Sub-Advisor seeks to manage portfolio risks, including, principally, exposure to individual credits and sectors and exposure to calls and interest rate sensitivity.

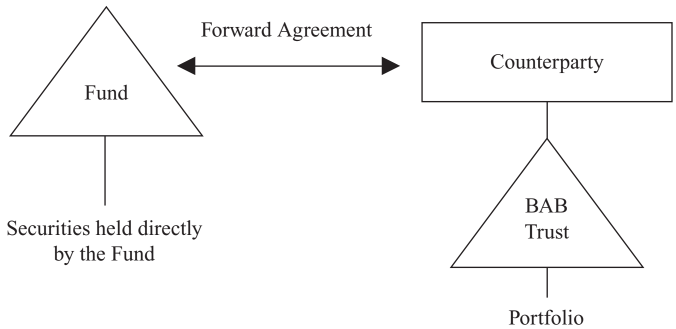
Trading Strategies. Through its trading strategies, the Sub-Advisor seeks to enhance portfolio value by trading to take advantage of inefficiencies found in the municipal market. This may entail selling issues that the Sub-Advisor deems to be overvalued and purchasing issues that the Sub-Advisor considers to be undervalued.

Sell Discipline. The Sub-Advisor generally sells securities when it (i) determines a security has become overvalued or over-rated, (ii) identifies credit deterioration, or (iii) modifies a portfolio strategy, such as sector allocation.

OVERVIEW OF THE STRUCTURE OF THE INVESTMENT

BAB Trust

The following diagram provides an overview of the underlying investment structure of the Fund.



BAB Trust will be a newly created trust established prior to the Closing pursuant to the BAB Trust Agreement. BAB Trust will be established for the purpose of acquiring and holding the Portfolio. It is expected that the initial beneficial owner of all of the units of BAB Trust will be the Counterparty or an affiliate. On the Closing Date, the Counterparty or one of its affiliates may subscribe for units of BAB Trust. BAB Trust would use any subscription proceeds to acquire the Portfolio. In order to generate additional returns, BAB Trust may lend its securities to brokers, dealers and other financial institutions.

Units of BAB Trust will be redeemable at the demand of its unitholders. On redemption, a BAB Trust unitholder will receive for each unit of BAB Trust redeemed an amount equal to the Net Asset Value per unit of BAB Trust. The Net Asset Value per unit of BAB Trust will be equal to the amount by which the Total Assets of BAB Trust exceed its total liabilities on a per unit basis and, accordingly, will be based upon the value of the Portfolio.

BAB Trust will generally receive interest income or distributions from Build America Bonds and other Permissible Securities included in the Portfolio. The net income of BAB Trust will consist primarily of interest income or distributions, less expenses of BAB Trust. BAB Trust will distribute all of its net income and net realized capital gains earned in each fiscal year to ensure that it is not liable for tax under Part I of the Tax Act. To the extent that BAB Trust 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 BAB Trust may be paid through 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 distribution of units, the number of outstanding units of BAB Trust may be consolidated such that each unitholder of BAB Trust (including the Counterparty or an affiliate, if it is a unitholder) will hold after the consolidation the same number of units of BAB Trust as it held before the distribution of additional units.

The Forward Agreement

The return to the Unitholders and the Fund will be dependent upon the return on the Portfolio (or Notional Portfolio) by virtue of one or more forward purchase and sale agreements with the Counterparty. If the Counterparty hedges its exposure under the Forward Agreement, it or an affiliate may acquire units of BAB Trust. If the Counterparty or an affiliate does not acquire units in BAB Trust, the Manager will maintain a Notional Portfolio with an initial invested amount equal to the amount of the net proceeds of the Offerings. There is no assurance that the Counterparty will maintain a hedge or will do so with respect to the full amount or term of the Forward Agreement. This prospectus assumes that the Counterparty or an affiliate will acquire units of BAB Trust, although it is under no obligation to do so. The Fund will use the net proceeds of the Offerings to pre-pay its purchase obligations under the Forward Agreement.

Pursuant to the Forward Agreement, the Counterparty has agreed to deliver to the Fund, on the Forward Termination Date, the Canadian Securities Portfolio with an aggregate value equal to (i) the redemption proceeds of all of the units of BAB Trust, or (ii) the value of the Notional Portfolio, as applicable, net of any leverage provided through the Forward Agreement and any amount owing by the Fund to the Counterparty. On or about the completion of the Offerings, BAB Trust expects to issue units to the Counterparty or an affiliate with an aggregate value equal to the net proceeds of the Offerings, the proceeds from which BAB Trust would use to acquire the Portfolio. The initial value of the Portfolio would be equal to the net proceeds of the Offerings. In such case, the return to the Fund will, by virtue of the Forward Agreement, be based on the return of BAB Trust, which, in turn, will be based on the performance of the Portfolio. If BAB Trust units are not acquired by the Counterparty or an affiliate, the return to the Fund, by virtue of the Forward Agreement, will be based on the performance of the Notional Portfolio. The Fund is fully exposed to the credit risk associated with the Counterparty in respect of the Forward Agreement.

The Fund may settle the Forward Agreement in whole or in part prior to the Scheduled Forward Termination Date: (i) to fund distributions on the Units; (ii) to fund redemptions and repurchases of Units from time to time; (iii) to fund operating expenses and other liabilities of the Fund; and (iv) for any other reason. The Forward Agreement will also allow the Fund to leverage its exposure to BAB Trust or the Notional Portfolio by up to 25% of its Total Assets (tested daily).

The Forward Agreement may be terminated prior to the Scheduled Forward Termination Date in certain circumstances, including if an event of default or a termination event occurs with respect to the Fund or the Counterparty under the Forward Agreement.

The following constitute events of default under the Forward Agreement: (i) failure by a party to make a payment or perform an obligation when due under the Forward Agreement which is not cured within any applicable grace period; (ii) a party makes a representation which is incorrect or misleading in any material respect; (iii) a party defaults in respect of a specified transaction having a value in excess of a specified threshold which default is not cured within any applicable grace period; (iv) certain events related to the bankruptcy or insolvency of a party; and (v) a party consolidates, amalgamates or merges with or into, or transfers substantially all its assets to, another entity and the resulting, surviving or transferee entity fails to assume the obligations of such party under the Forward Agreement.

Termination events under the Forward Agreement include the following: (i) it becomes unlawful for a party to perform its obligations under or comply with any material provisions of the Forward Agreement; (ii) certain tax events occur which require a party to indemnify the other party in respect of certain taxes or reduce the amount that a party would otherwise have been entitled to receive under the Forward Agreement; (iii) failure of BAB Trust to comply with its governing documents; or (iv) certain regulatory, credit or legal events occur which affect a party.

If the Forward Agreement is terminated prior to the Forward Termination Date for any reason, it is anticipated that the Forward Agreement will be settled by physical delivery of the Canadian Securities Portfolio by the Counterparty to the Fund after payment of any amounts owing to the Counterparty. In the event of a termination of the Forward Agreement prior to the Scheduled Termination Date, the Manager may, in its discretion, enter into a replacement forward agreement on terms satisfactory to the Manager in its sole discretion, or the Manager may terminate the Fund and may take such other action as it considers necessary under the circumstances.

OVERVIEW OF THE SECTOR THAT THE FUND INVESTS IN

The Build America Bond Market

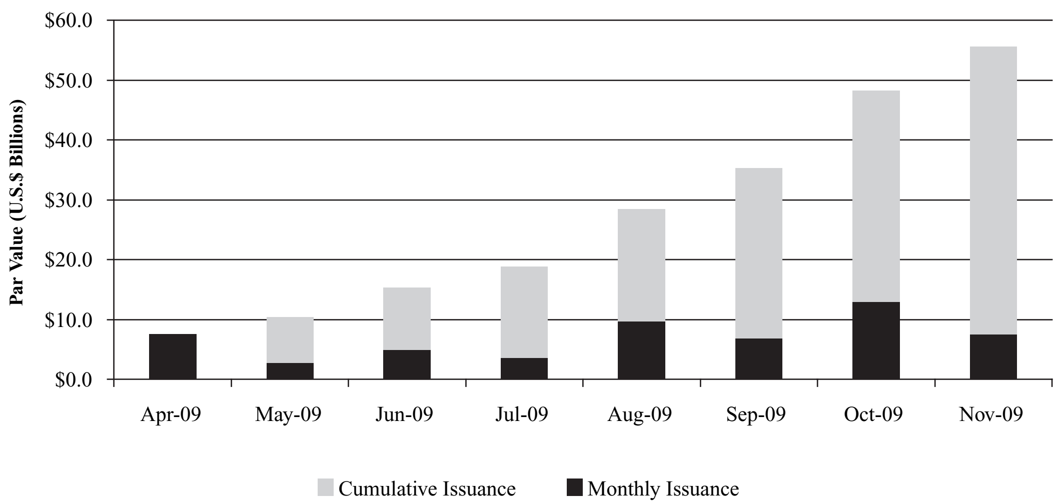
Build America Bonds are taxable bonds that were authorized under the *American Recovery and Reinvestment Act of 2009* that was signed into law on February 17, 2009. The Build America Bond program allows U.S. state and local governments to issue taxable bonds in 2009 and 2010 for government capital projects and receive a direct federal subsidy payment from the U.S. Treasury for a portion of their borrowing costs. Build America Bonds are intended to help U.S. state and local governments finance governmental capital projects at a lower cost because the U.S. federal government is subsidizing the interest paid in the amount of 35%. As a result of this federal subsidy payment, U.S. state and local governments will have lower net borrowing costs and be able to reach more sources of borrowing than with more traditional tax-exempt or tax credit bonds. For example, if a state or local government were to issue Build America Bonds at a 6.0% taxable interest rate, the Treasury

Department would make a payment directly to the government of 2.1% of that interest, and the government's net borrowing cost would thus be only 3.9% on a bond that actually pays 6.0% interest. Government capital projects include public infrastructure projects such as public schools and roads, and transportation infrastructure such as rail, bridges, ports, and public buildings. Build America Bonds are only for U.S. governmental activity and, therefore, the proceeds received by issuers of Build America Bonds cannot be used by for-profit or not-for-profit organizations.

As of November 30, 2009, U.S. state and local governments had issued approximately U.S. $55.7 billion in Investment Grade Build America Bonds in the 10-month period since the Build America Bond program was established. Of these issues, approximately two-thirds are rated AA or higher by S&P and approximately one-half were greater than U.S. $250 million in size and are eligible for inclusion in the Barclays U.S. Aggregate Bond Index. Given the U.S. Federal government subsidy, the Sub-Advisor believes that U.S. state and local governments will continue to issue Build America Bonds over the remaining duration of the Build America Bond program.

The following chart shows the issuances of Build America Bonds between April and November, 2009:

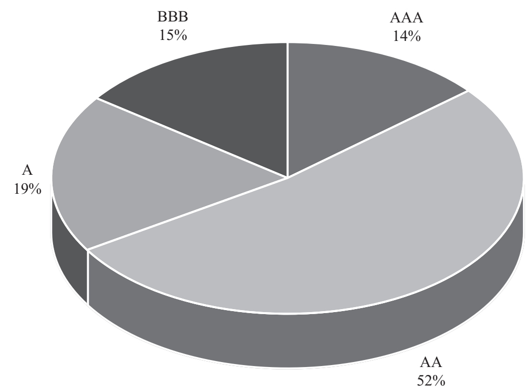
Issuance of Build America Bonds
(April to November 2009)



Source: Bloomberg.

The following chart shows the rating distribution of Build America Bonds issued through November 30, 2009:

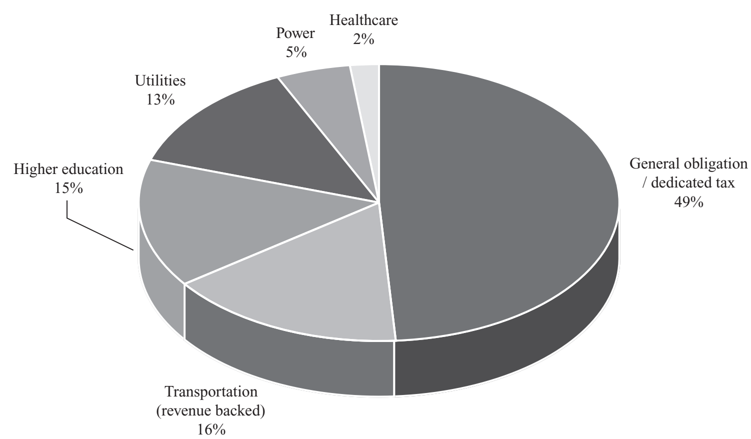
Build America Bonds Ratings Distribution
(As at November 30, 2009)



Source: Bloomberg.

The following chart shows the distribution by sector of Build America Bonds issued through November 30, 2009:

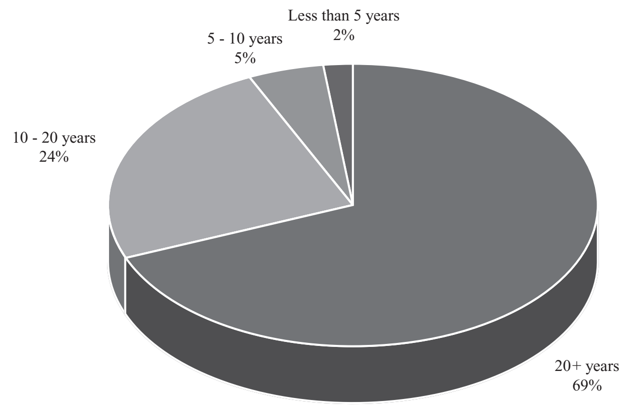
Build America Bonds Sector Distribution
(As at November 30, 2009)



Source: Bloomberg.

The following chart shows the distribution by maturity date of Build America Bonds issued through November 30, 2009:

Build America Bonds Maturity Distribution
(As at November 30, 2009)



Source: Bloomberg.

Municipal and Corporate Relative Default Probabilities*

U.S. state and local governments have long track records of issuing non-taxable and taxable municipal bonds backed by similar assets and/or revenue streams as Build America Bonds. The following table shows, for the periods indicated, the cumulative historical default rates of the municipal bonds that have been rated by Moody's Investors Service Inc. as compared with corporate bonds that have been rated by Moody's Investors Service Inc. As shown in the chart below, Investment Grade municipal bond issuers, which include issuers that have recently issued Build America Bonds, have historically had lower default rates than AAA rated corporate bonds.

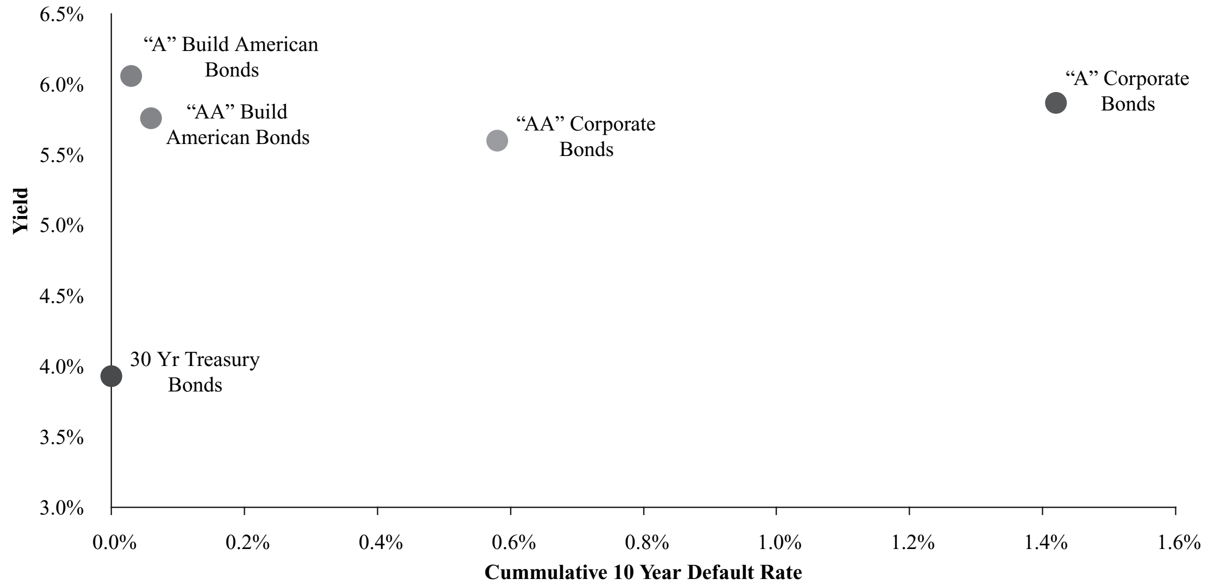
	5 Year History			10 Year History		
Rating	**Corporate**	**Municipal**	**Difference**	**Corporate**	**Municipal**	**Difference**
Aaa	0.11%	0.00%	0.11%	0.56%	0.00%	0.56%
Aa	0.19%	0.04%	0.15%	0.58%	0.06%	0.52%
A	0.51%	0.02%	0.49%	1.42%	0.03%	1.39%
Baa	2.06%	0.10%	1.96%	4.89%	0.13%	4.76%
Ba	10.57%	1.78%	8.79%	19.86%	2.65%	17.21%
B	29.06%	11.60%	17.46%	46.12%	11.86%	34.26%
Caa-C	56.52%	16.58%	39.94%	74.72%	16.58%	58.14%

* Source: Moody's Investors Service Inc., Special Comment, "The U.S. Municipal Bond Rating Scale." Published March 2007.

Illustrative Risk/Return Profile of Build America Bonds*

The following chart combines the historical default probabilities outlined in the table above with the yields on certain Build America Bonds, corporate bonds and U.S. government bonds to illustrate the risk/return profile of Build America Bonds. The Sub-Advisor believes that Build America Bonds offer a compelling yield opportunity when compared to equivalently rated corporate bonds.

Yields vs. Default Rates
(As at November 30, 2009)



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* As of November 30, 2009. Source: Barclays Capital Build America Bond Index, Barclays Capital Long U.S. Corporate Investment Grade Index, and Barclays Capital Long U.S. Treasury Index. Market yields are indicative of market levels as of November 30, 2009 but can change without notice.

Build America Bonds are a relatively new form of municipal financing with a limited history of issuances. As a result, although the Manager believes that default information for the Build America Bonds is relevant, the limited history of issuances of Build America Bonds does not allow a direct comparison with corporate bonds.

INVESTMENT RESTRICTIONS

Investment Restrictions of the Fund

The Fund will be subject to the investment restrictions set out below, and will also indirectly be subject to the investment restrictions of BAB Trust as a result of the Forward Agreement. The investment restrictions of the Fund, which are set forth in the Fund Trust Agreement, provide that the Fund will not:

(a) with respect to the securities acquired pursuant to the Forward Agreement, purchase any securities other than "Canadian securities" for the purpose of the Tax Act;

(b) purchase the securities of an issuer for the purposes of exercising control over management of that issuer or if, as a result of such purchase, the Fund would be required to make a take-over bid that is a "formal bid" for the purposes of applicable securities laws;

(c) employ financial leverage, except in connection with the Forward Agreement, and such leverage will not exceed 25% of the Total Assets (tested daily);

(d) make or hold any investment that would result in the Fund failing to qualify as a "mutual fund trust" for purposes of the Tax Act and will not acquire any property that would be "taxable Canadian property" of the Fund as such term is defined in the Tax Act (if the definition were read without reference to paragraph (b) thereof); or

(e) make or hold any investment that would result in the Fund being subject to the tax on SIFT Trusts as provided for in section 122 of the Tax Act.

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 conventional mutual funds under such legislation. However, the Fund is subject to certain other requirements and restrictions contained in securities legislation, including National Instrument 81-106 — *Investment Fund Continuous Disclosure* of the Canadian Securities Administrators, which governs the continuous disclosure obligations of investment funds, including the Fund.

Investment Restrictions of BAB Trust

BAB Trust will be subject to certain investment restrictions that are set out in BAB Trust Agreement. The investment restrictions of BAB Trust provide that BAB Trust will not:

(a) invest at the time of purchase:

(i) less than 80% of the Total Assets of BAB Trust in Investment Grade Build America Bonds; nor

(ii) more than 20% of the Total Assets of BAB Trust in other Permissible Securities,

except within 90 days of the Closing Date and within 90 days of the Fund's termination;

(b) purchase the common or preferred shares of any "substantial securityholder" of BAB Trust (as defined in the *Securities Act* (Ontario)) or the direct or indirect parent of any substantial securityholder of BAB Trust;

(c) make or hold any investments in entities that would be "foreign affiliates" of BAB Trust 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 BAB Trust to include any material amount in its income pursuant to proposed sections 94.1 or 94.3 of the Tax Act or require BAB Trust 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.

FEES AND EXPENSES

Initial Fees and Expenses

The expenses of the Offerings (including the costs of creating and organizing the Fund, the costs of printing and preparing this prospectus, legal expenses, marketing expenses and other reasonable out-of-pocket expenses incurred by the Agents and other incidental expenses), which are estimated to be $650,000 (but not to exceed 1.5% of the gross proceeds of the Offerings), will be paid out of the gross proceeds of the Offerings by the Fund. In addition, the Agents' fee will be paid to the Agents from the gross proceeds as described under "Plan of Distribution".

Management Fee

The Manager will receive a Management Fee from the Fund and BAB Trust equal in the aggregate to 0.80% per annum of the applicable Net Asset Value (0.30% from the Fund and 0.50% from BAB Trust), calculated and payable monthly in arrears, plus applicable taxes. The Management Fee payable to the Manager in respect of the month in which Closing occurs will be pro-rated based on the fraction that the number of days from and including the Closing Date to and including the last day of the month is of the number of days in such month. The Manager is responsible for paying the fees payable to the Sub-Advisor out of the portion of the Management fee received by it.

Service Fee

The Fund will pay to the Manager a Service Fee (calculated quarterly and paid as soon as practicable after the end of each calendar quarter), solely with respect to the Class A Units, equal to 0.30% per annum of Net Asset Value attributable to the Class A Units, plus applicable taxes. The Service Fee will be applied by the Manager to pay a service fee in an equivalent aggregate amount, plus applicable taxes, to brokers based on the number of Class A Units held by clients of such brokers at the end of the relevant quarter. No Service Fee is payable in respect of the Class F Units.

Counterparty Fees

The Fund will pay to the Counterparty an additional purchase amount under the Forward Agreement, calculated daily and payable quarterly in arrears, of 0.35% per annum of the total assets of the Fund/notional amount of the Forward Agreement (being effectively equal to the Net Asset Value of BAB Trust).

Ongoing Expenses

Each of the Fund and BAB Trust will pay for all expenses incurred in connection with their respective operation and administration which, in the case of the Fund will generally be allocated to the Units *pro rata* based on the Net Asset Value, 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 Manager and the Sub-Advisor. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which the Manager the Sub-Advisor, the Custodian or the Trustee and/or any of their respective officers, directors, employees, consultants or agents is entitled to indemnity by the Fund or BAB Trust.

The Manager estimates that ongoing expenses, exclusive of the Management Fee, the Service Fee, fees under the Forward Agreement and brokerage expenses related to portfolio transactions will be approximately

$150,000 per year for the Fund and $50,000 per year for BAB Trust (assuming an aggregate size of the Offerings of approximately $100 million).

Additional Services

Any arrangements for additional services between the Fund or BAB Trust and the Manager and/or Sub-Advisor, or any of their respective affiliates, that have not been described in this prospectus will be on terms that are no less favourable to the Fund and BAB Trust, as applicable, than those available from arm's length persons (within the meaning of the Tax Act) for comparable services and the Fund and BAB Trust, as applicable, will pay all expenses associated with such additional services.

RISK FACTORS

Certain risk factors relating to the Fund, BAB Trust and the Units are described below. Additional risks and uncertainties not currently known to the Manager or the Sub-Advisor or that are currently considered immaterial, may also impair the operations of the Fund or BAB Trust. If any such risk actually occurs, the undertaking, financial condition, liquidity or results of operations of the Fund, and the ability to the Fund to make distributions on the Units, could be materially adversely affected.

General Risks of Exposure to Build America Bonds and other Permissible Securities — No Guarantee of Distributions

Generally, Build America Bonds and other Permissible Securities will decrease in value when interest rates rise and increase in value when interest rates decline. The Net Asset Value of BAB Trust will fluctuate with interest rate changes and the corresponding changes in the value of the securities in the Portfolio. The value of Build America Bonds and other Permissible Securities is also affected by the risk of default in the payment of interest or non-payment of distributions and principal and price changes due to such factors as general economic conditions and the issuer's creditworthiness. Build America Bonds and other Permissible Securities may not pay interest or distributions or their issuers may default on their obligations to pay interest and/or principal amounts. Most of the Build America Bonds and other Permissible Securities that may be included in the Portfolio from time to time are unsecured, which will increase the risk of loss in case of default or insolvency of the issuer.

Municipal Securities Risk

The ability of municipal issuers to make timely payments of interest and principal may be diminished during general economic downturns and as governmental cost burdens are reallocated among federal, state and local governments. The taxing power of any governmental entity may be limited by provisions of state constitutions or laws and an entity's credit will depend on many factors, including the entity's tax base, the extent to which the entity relies on federal or state aid, and other factors which are beyond the entity's control. In addition, laws enacted in the future by the U.S. Congress or U.S. state legislatures or referenda could extend the time for payment of principal and/or interest, or impose other constraints on enforcement of such obligations, or on the ability of municipalities to levy taxes. Issuers of municipal securities might seek protection under the bankruptcy laws. In the event of bankruptcy of such an issuer, BAB Trust could experience delays in collecting principal and interest and BAB Trust may not, in all circumstances, be able to collect all principal and interest to which it is entitled. To enforce its rights in the event of a default in the payment of interest or repayment of principal, or both, the Fund may take possession of and manage the assets securing the issuer's obligations on such securities, which may increase the Fund's operating expenses.

Revenue bonds issued by U.S. state or local agencies to finance the development of low-income, multi-family housing involve special risks in addition to those associated with municipal securities generally, including that the underlying properties may not generate sufficient income to pay expenses and interest costs. These bonds are generally non-recourse against the property owner, may be junior to the rights of others with an interest in the properties, may pay interest that changes based in part on the financial performance of the property, may be prepayable without penalty and may be used to finance the construction of housing developments which, until completed and rented, do not generate income to pay interest. Additionally, unusually high rates of default on the underlying mortgage loans may reduce revenues available for the payment of principal or interest on such mortgage revenue bonds.

Municipal Securities Market Risk

Investing in the municipal securities market involves certain risks. The municipal securities market is one in which dealer firms make markets in bonds on a principal basis using their proprietary capital, and during the recent market turmoil these firms' capital was severely constrained. As a result, some firms were unwilling to commit their capital to purchase and to serve as a dealer for municipal bonds. The amount of public information available about municipal securities is generally less than that for corporate equities or bonds, and investment performance may therefore be more dependent on the Sub-Advisor's analytical abilities than a portfolio of stocks or taxable bonds. The secondary market for municipal securities also tends to be less well-developed and less liquid than many other securities markets, which may adversely affect the ability to sell municipal securities in the Portfolio at attractive prices or at prices approximating those at which the Fund currently values them. Municipal securities may contain redemption provisions, which may allow the securities to be called or redeemed prior to their stated maturity, potentially resulting in the distribution of principal and a reduction in subsequent interest distributions. Some "direct pay" Build America Bonds have been issued with provisions that allow state and local governments to call the bonds back and refinance them if the federal government stops paying a subsidy on the interest, which could result in lower interest payments in the future, and therefore these bonds may have more redemption risk than other municipal securities.

Build America Bonds Market Risk

Because Build America Bonds are a relatively new form of municipal financing and are subject to the potential for extension, it is difficult to predict the extent to which a market for such bonds will develop, meaning that Build America Bonds may experience greater illiquidity than other municipal obligations.

Risk of Limited Issuance

Since the enactment of the *American Recovery and Reinvestment Act of 2009*, approximately $55 billion in "direct pay" Build America Bonds have been issued by municipalities (as of November 30, 2009). A "direct pay" bond is a bond for which the U.S. Treasury Department pays the issuer a subsidy equal to 35% of the interest payments. There is no guarantee that municipalities will continue to take advantage of the Build America Bonds program in the future and there can be no assurance that Build America Bonds will be actively traded. Furthermore, under the *American Recovery and Reinvestment Act of 2009*, the ability of municipalities to issue Build America Bonds expires on December 31, 2010. If the Build America Bonds program is not extended, the number of Build America Bonds available in the market will be limited and the Fund may be unable to buy additional Build America Bonds or replace such bonds that are called by their issuers, which may force the Fund to purchase other eligible securities. In addition, illiquidity may negatively affect the value of the bonds.

Concentration Risk

The Portfolio will be concentrated in Build America Bonds and therefore the Net Asset Value of the Fund and BAB Trust may be more volatile than the value of a more broadly diversified portfolio and may fluctuate substantially over short periods of time. Because Build America Bonds may not include certain sectors, there may be less diversification than with a broader pool of municipal securities.

Credit Risk

It is expected that substantially all of the Build America Bonds in the Portfolio will be rated BBB/Baa or higher at the time of purchase by at least one independent rating agency or, if unrated, judged by the Sub-Advisor to be of comparable quality. The Portfolio may retain securities that, after purchase, subsequently cease to meet such rating standards. Credit risk is the risk that an issuer of a municipal bond may be unable or unwilling to make interest and principal payments when due and the related risk that the value of a bond may decline because of concerns about the issuer's ability or willingness to make such payments. Credit ratings are based largely on the rating agency's investment analysis at the time of rating, and the rating assigned to any particular security is not necessarily a reflection of the issuer's current financial condition. The rating assigned to a security by a rating agency does not necessarily reflect its assessment of the volatility of the security's market value or of the liquidity of an investment in the security. Credit risk for the Portfolio is heightened with respect to securities that after purchase, subsequently cease to meet investment grade rating standards. Such bonds are commonly referred to as "high yield," "high risk" or "junk" bonds. High yield bonds, while generally offering higher yields than investment grade securities with similar maturities, involve greater risks, including the possibility of default or bankruptcy, and are regarded as predominantly speculative with respect to the issuer's capacity to pay interest and repay principal.

Maturity Risk

Although the Portfolio may be invested in securities of any maturity, it is expected that the Portfolio will mainly consist of securities with maturities of ten years or more at the time of investment, which exceeds the term of Fund. Many obligations permit the issuer at its option to "call," or redeem, its securities. As such, the effective maturity of an obligation may be reduced as the result of call provisions. The effective maturity of an obligation is its likely redemption date after consideration of any call or redemption features. The average maturity of the Portfolio holdings may vary depending on market conditions.

Interest Rate Fluctuations Risk

It is anticipated that the market price for the Units at any given time will be affected by the level of interest rates prevailing at such time. A rise in interest rates may have a negative effect on the market price of the Units. Unitholders who wish to redeem or sell their Units may, therefore, be exposed to the risk that the redemption price or sale price of the Units will be negatively affected by interest rate fluctuations. The securities in the Portfolio may also be exposed to the risk that the redemption price, sale price or value upon termination of BAB Trust will be negatively affected by interest rate fluctuations.

Leverage Risk

The Fund's exposure to the Portfolio through the Forward Agreement may be increased by up to 25% at the time leverage is employed. As a result of fluctuations in the prices of the securities in the Portfolio, leverage may temporarily, and from time to time, exceed 25%. The addition of leverage has the potential to enhance returns but also involves additional risks. There can be no assurance that the leverage employed by the Fund will enhance returns. The use of leverage may reduce returns (both distributions and capital) to Unitholders. If there is a decline in the value of the securities in the Portfolio, the leverage under the Forward Agreement will cause a decrease in the Net Asset Value of the Fund in excess of that which would otherwise be experienced. Under certain conditions, leverage may be reduced or discontinued under the terms of the Forward Agreement.

Term Risk

The securities in the Portfolio may have very long terms. Investors tend to value these securities based on the assumption that they will be called on the first date that the coupon will be reset. In the event that an issuer does not call a particular security on this date then it may affect the market value thereof. This may happen when there is a rise in interest rates. Under these circumstances, the value of the obligation will decrease, and the Portfolio will also suffer from the inability to invest in higher yielding securities

Risk Relating to U.S. Treasury and U.S. Government Agency Securities

U.S. Treasury Securities differ in their interest rates, maturities and times of issuance. U.S. Government Agency Securities include obligations issued or guaranteed by U.S. government agencies or instrumentalities. U.S. Government Agency Securities may be guaranteed by the U.S. government or they may be backed by the right of the issuer to borrow from the U.S. Treasury, the discretionary authority of the U.S. government to purchase the obligations, or the credit of the agency or instrumentality. While U.S. government agencies may be chartered or sponsored by Acts of the U.S. Congress, their securities are not issued and may not be guaranteed by the U.S. Treasury. To the extent that the Portfolio is invested in securities of government sponsored entities, the Portfolio will be subject to the risks unique to such entities. Government sponsored entities, such as the U.S. Federal Home Loan Mortgage Corporation, the U.S. Federal National Mortgage Association, the U.S. Federal Home Loan Banks, the U.S. Private Export Funding Corporation, the U.S. Federal Farm Credit Banks and the Tennessee Valley Authority, although chartered or sponsored by the U.S. Congress, are not funded by congressional appropriations and the debt and mortgage-backed securities issued by them are neither guaranteed nor issued by the U.S. government. The U.S. government has recently provided financial support to the U.S. Federal Home Loan Mortgage Corporation and the U.S. Federal National Mortgage Association, but there can be no assurance that it will support these or other government-sponsored enterprises in the future. U.S. Treasury Securities and U.S. Government Agency Securities also include any security or agreement collateralized or otherwise secured by U.S. Treasury Securities and U.S. Government Agency Securities, respectively. As a result of their high credit quality and market liquidity, U.S. Government Agency Securities generally provide a lower current return than obligations of other issuers. While certain U.S. government-sponsored entities (such as the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association) may be chartered or sponsored by acts of the U.S. Congress, their securities are neither issued not guaranteed by the U.S. Treasury.

Re-investment Risk

A security in the Portfolio may include a call or redemption provision that permits the issuer of such security to "call" or redeem its securities. The existence of such provisions will, if exercised, require such a security to be removed from the Portfolio and replaced with new securities. These actions may have implicit costs to the Fund and may reduce the distributions paid to Unitholders. At any time that the Portfolio is re-adjusted in the discretion of the Manager or as a result of a redemption or call provision in the terms of a security in the Portfolio, the distributions available to Unitholders may be affected as, among other things, such security included in the Portfolio upon any such re-adjustment may not provide the same rate of return as the security replaced. In addition, if the call or redemption price of a security in the Portfolio is less than the price paid by BAB Trust upon its inclusion in the Portfolio, and that security is redeemed, the Net Asset Value of the Fund will be negatively impacted.

Purchasing Securities in New Issues

The Portfolio may be invested in securities of issuers in new issues or shortly after those newly issued offerings are complete. Special risks associated with these securities may include a limited number of securities available for trading, lack of a trading history, lack of investor knowledge of the issuer, and limited or no operating history. These factors may contribute to substantial price volatility for the securities of these issuers. The limited number of securities available for trading in some new issue offerings may make it more difficult for BAB Trust to buy or sell significant amounts of securities without an unfavourable effect on prevailing market prices.

Foreign Exchange Rate Fluctuations Risk

As the Portfolio will be invested in securities traded in U.S. dollars, the Net Asset Value of the Fund and the market price of the Units, when measured in Canadian dollars, will, to the extent this has not been hedged against, be affected by changes in the value of the U.S. dollar relative to the Canadian dollar. The Fund may not be fully hedged at all times. Accordingly, no assurance can be given that the Fund will not be adversely impacted by changes in foreign exchange rates or other factors. The use of hedges, if used, involves special risks, including the possible default by the other party to the transaction, illiquidity and, to the extent the Manager's and the

Sub-Advisor's assessment of certain market movements is incorrect, the risk that the use of hedges could reduce total returns or result in losses greater than if the hedging had not been used. In addition, the costs associated with a hedging program may outweigh the benefits of the arrangements in such circumstances.

Risks Relating to Fluctuation in Value of Portfolio Securities

The value of the Units will vary according to the value of the securities included in the Portfolio by virtue of the Forward Agreement. The value of the securities included in the Portfolio will be influenced by factors which are not within the control of BAB Trust, the Manager or the Sub-Advisor, including the financial performance of the respective issuers, operational risks relating to the specific business activities of the respective issuers, quality of assets owned by the respective issuers, risks associated with issuers operating, or having exposure to assets, outside of Canada, exchange rates, interest rates, political risks, issues relating to government regulation, credit markets and other financial market conditions.

Recent Global Financial Developments Risk

Global financial markets have experienced a sharp increase in volatility during recent months. This has been, in part, the result of the revaluation of assets on the balance sheets of international financial institutions and related securities. This has contributed to a reduction in liquidity among financial institutions and has reduced the availability of credit to those institutions and to the issuers who borrow from them. While central banks as well as global governments are attempting to restore liquidity to the global economies, no assurance can be given that the combined impact of the significant revaluations and constraints on the availability of credit will not materially and adversely affect economies around the world in the near to medium term. Some of these economies may experience significantly diminished growth or a recession. These market conditions and unexpected volatility or illiquidity in financial markets may also adversely affect the prospects of the Fund and the value of the securities included in the Portfolio.

No Assurance in Achieving Investment Objectives or Making Distributions

There is no assurance that the Fund or BAB Trust will be able to achieve their respective investment objectives. Furthermore, there is no assurance that the Fund will be able to pay distributions in the short or long term, nor is there any assurance that the Net Asset Value of the Fund or BAB Trust will appreciate or be preserved. Changes in the relative weightings between the various types of securities making up the Portfolio can affect the overall yield to Unitholders.

Composition of Portfolio Risk

The composition of the securities included in the Portfolio taken as a whole may vary widely from time to time, resulting in the securities included in the Portfolio being less diversified than anticipated. Overweighting investments in certain issuers involves risk that BAB Trust will suffer a loss because of declines in the prices of securities in those issuers, sectors or industries.

Counterparty Risk

On Closing, the Fund will enter into the Forward Agreement with the Counterparty, which will be a Canadian chartered bank or an affiliate of a Canadian chartered bank and an affiliate of one of the Agents. In entering into the Forward Agreement, which will be the sole material asset of the Fund, the Fund is exposed to the credit risk associated with the Counterparty. The Counterparty may have relationships with any or all of the issuers whose securities are included in the Portfolio which could conflict with the interests of the Fund or BAB Trust. Depending on the value of the Portfolio, the Fund's exposure to the credit risk of the Counterparty may be significant. In addition, the possibility exists that the Counterparty will default on its obligations under the Forward Agreement. Unitholders will have no recourse or rights against the assets of BAB Trust or the Counterparty and the Counterparty is not responsible for the returns of the Portfolio. In addition, through the Forward Agreement, the Counterparty will also provide leverage which may constitute a conflict of interest.

Use of Derivatives Risk

BAB Trust may invest in and use 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 BAB Trust's hedging strategies will be effective. BAB Trust is subject to the credit risk that its counterparty (whether a clearing corporation in the case of exchange traded instruments or another third party in the case of over-the-counter instruments) may be unable to meet its obligations. In addition, there is a risk of loss by BAB Trust of margin deposits in the event of the bankruptcy of the dealer with whom BAB Trust has an open position in an option or futures or forward contract. Derivative instruments traded in foreign markets may offer less liquidity and greater credit risk than comparable instruments traded in North American markets. The ability of BAB Trust to close out its positions may also be affected by exchange imposed daily trading limits on options and futures contracts. If BAB Trust is unable to close out a position, it will be unable to realize its profit or limit its losses until such time as the option becomes exercisable or expires or the futures or forward contract terminates, as the case may be. The inability to close out options, futures and forward positions could also have an adverse impact on BAB Trust's ability to use derivative instruments to effectively hedge the Portfolio.

Securities Lending Risk

BAB Trust may engage in securities lending. Although BAB Trust will receive collateral for the loans and such collateral will be marked-to-market, BAB Trust will be exposed to the risk of loss should the borrower default on its obligation to return the borrowed securities and the collateral be insufficient to reconstitute the portfolio of loaned securities.

Risks Relating to Reliance on the Manager and Sub-Advisor

The Manager and the Sub-Advisor will manage and advise, as applicable, BAB Trust in a manner consistent with the investment objectives and the investment restrictions of BAB Trust. The officers of the Manager and the officers of the Sub-Advisor who will be primarily responsible for the management of the Portfolio have extensive experience in managing investment portfolios, however there is no certainty that such individuals will continue to be employees of the Manager or the Sub-Advisor, as applicable, until the termination of the Fund.

Risks Relating to the Trading Price of Units

The Class A Units may trade in the market at a discount to the Net Asset Value per Class A Unit and there can be no assurance that the Class A Units will trade at a price equal to the Net Asset Value per Class A Unit. Units will be redeemable at 100% of the Redemption Net Assets per Unit on an Annual Redemption Date less any costs associated with the redemption, including brokerage costs. While the redemption right provides Unitholders the option of annual liquidity at the Redemption Net Assets per Unit, there can be no assurance that it will reduce trading discounts of the Class A Units.

No Market for Class F Units

Class F Units will not be listed on any stock exchange. It is expected that liquidity for the Class F Units will be primarily obtained by means of redeeming such Class F Units or through the conversion of Class F Units into Class A Units and the sale of those Class A Units.

Risks Relating to the Taxation of the Fund

In determining its income for tax purposes, the Fund will not treat the acquisition of Canadian Securities Portfolio securities under the Forward Agreement as a taxable event and will treat gains or losses on any disposition of Canadian Securities Portfolio securities acquired under the Forward Agreement as capital gains and losses. No advance income tax ruling has been requested or obtained from the CRA regarding the timing or characterization of the Fund's income, gains or losses.

If, contrary to the advice of counsel to the Fund, whether through the application of the general anti-avoidance rule or otherwise, or as a result of a change of law, the acquisition of Canadian Securities Portfolio securities under the Forward Agreement were a taxable event or if gains realized on the sale of

Canadian Securities Portfolio securities acquired under the Forward Agreement were treated other than as capital gains on the sale of such securities, after-tax returns to Unitholders would be reduced.

On October 31, 2003 the Department of Finance (Canada) announced a Tax Proposal relating to the deductibility of losses under the Tax Act. Under this Tax Proposal, a taxpayer will be considered to have a loss from a business or property for a taxation year only if, in that year, it is reasonable to assume that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, or can reasonably be expected to carry on, the business or has held, or can reasonably be expected to hold, the property. Profit, for this purpose, does not include capital gains or capital losses. If this Tax Proposal were to apply to the Fund, deductions that would otherwise reduce the Fund's taxable income could be denied, with after-tax returns to the Unitholders reduced as a result. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace this Tax Proposal would be released for comment. No such alternative proposal has been released to date. There can be no assurance that such alternative proposal will not adversely affect the Fund.

No Ownership Interest Risk

An investment in Units does not constitute an investment by Unitholders in the securities included in the Portfolio. Unitholders will not own the securities held by the Fund or BAB Trust.

Changes in Legislation and Regulatory Risk

There can be no assurance that certain laws applicable to the Fund, including income tax laws, government incentive programs and the treatment of trusts under the Tax Act will not be changed in a manner which adversely affects the Fund or Unitholders. Build America Bonds have been created based on recently introduced U.S. legislation. If this legislation changes, or the interpretation thereof changes, such changes could have a negative effect upon the value of the Portfolio and upon the investment opportunities available to the Portfolio.

Loss of Investment Risk

An investment in the Fund is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

Conflicts of Interest Risk

The Manager, the Sub-Advisor and their respective directors and officers engage in the promotion, management or investment management of one or more funds or trusts with similar investment objectives to those of the Fund and BAB Trust. Although none of the directors or officers of the Manager or the Sub-Advisor will devote his or her full time to the undertaking and affairs of the Fund or BAB Trust, each director and officer of the Manager and the Sub-Advisor will devote as much time as is necessary to supervise the management of (in the case of the directors) or to manage the undertaking and affairs of (in the case of officers) the Fund, BAB Trust, the Manager and the Sub-Advisor, as applicable.

Risks Relating to the Status of the Fund

As the Fund is not a mutual fund as defined under Canadian securities laws, the Fund is not subject to the Canadian policies and regulations that apply to open-end mutual funds. It is intended that the Fund will be a mutual fund trust for purposes of the Tax Act. If the Fund ceases or fails to qualify as a mutual fund trust for purposes of the Tax Act, certain tax considerations described in this prospectus would be materially and adversely different.

Risks Relating to Redemptions

The purpose of the annual redemption right is to prevent Class A Units from trading at a substantial discount and to provide investors with the right to eliminate entirely any trading discount once per year. While the redemption right provides investors the option of annual liquidity, there can be no assurance that it will reduce trading discounts. There is a risk that the Fund may incur significant redemptions if Class A Units trade at a significant discount to their Net Asset Value, thereby providing arbitrage traders an opportunity to profit from the difference between the applicable Net Asset Value and the discounted market price at which they purchased their Units.

If a significant number of Units are redeemed, the trading liquidity of the Units could be significantly reduced. In addition, the expenses of the Fund would be spread among fewer Units resulting in a potentially lower distribution per Unit. The Manager has the ability to terminate the Fund if, in its opinion, it would be in the best interests of Unitholders to do so. The Manager may also suspend the redemption of Units in the circumstances described under "Redemption of Securities — Suspension of Redemptions".

Operating History Risk

The Fund is a newly organized investment fund with no previous operating history. There is currently no public market for the Units and there can be no assurance that an active public market for the Units will develop or be sustained after completion of the Offerings.

Not a Trust Company

The Fund is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under provisions of that Act or any other legislation.

Risks Relating to the Nature of the Units

The Units represent a fractional interest in the net assets of the Fund. Units are dissimilar to debt instruments in that there is no principal amount owing to Unitholders. Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions.

Risks Relating to Issuer Credit Ratings

The investment restrictions contain certain minimum issuer credit rating requirements. Issuer credit ratings may differ from other types of credit ratings. As such, the credit rating assigned to a particular security (including securities acquired by BAB Trust) may in fact be lower than the credit rating assigned to the issuer of that security.

DISTRIBUTION POLICY

Based on the Indicative Portfolio, distributions are initially targeted to be $0.1198 per month per Unit, representing a yield of 5.75% per annum on the Unit issue price. The initial monthly distribution is payable to Unitholders of record on March 31, 2010 and will be paid no later than April 15, 2010. The first distribution is expected to reflect the period from the Closing Date to March 31, 2010. Based on the Indicative Portfolio and assuming (i) an aggregate size of the Offerings of $100 million, (ii) the employment of the investment strategy as described under "Investment Strategy", (iii) the use of leverage as described herein, and (iv) the fees and expenses described under "Fees and Expenses", it is expected that the Fund will be able to maintain a stable NAV and pay such distributions, and it is not expected that Portfolio securities will be sold in order to meet targeted distributions. It is expected that monthly distributions received by Unitholders will consist primarily of returns of capital for tax purposes. Distributions in excess of such returns of capital are expected to be capital gains. See "Income Tax Considerations".

The distributions are not guaranteed. The initial monthly distribution is payable to Unitholders of record on March 31, 2010 and will be paid no later than April 15, 2010. The first distribution will reflect the period from the Closing Date to March 31, 2010. The Manager will review such distribution policy from time to time and the distribution amount may change from time to time.

The Fund will be subject to tax under Part I of the Tax Act on the amount of its income for tax purposes 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. To ensure that the Fund will generally not be liable for income tax under Part I of the Tax Act, the Fund Trust Agreement provides that, if necessary, an Additional Distribution will be automatically payable in each year to Unitholders of record on December 31. The Additional Distribution may be necessary if the Fund realizes income for tax purposes which is in excess of the monthly distributions paid or made payable to Unitholders during the taxation year. If the Fund must pay an Additional Distribution, such Additional Distribution may, at the option of the Manager, be satisfied by the issuance of Units. Following such issue of additional Units, the outstanding Units may be automatically consolidated on a basis such that each Unitholder will hold after the consolidation the same number of Units as it held before the distribution of additional Units, except in the case of a Non-Resident Unitholder if tax was required to be withheld in respect of the distribution. See "Canadian Federal Income Tax Considerations".

PURCHASES OF SECURITIES

The Fund proposes to offer Class A Units and Class F Units, each at a price of $25.00 per Unit (with a minimum subscription of 100 Units for $2,500.00). Prospective purchasers may subscribe for Units through one of the Agents or any member of a sub-agency group that the Agents may form. Closing of the Offerings will take place on or about February 18, 2010, or such later date as may be agreed upon by the Fund and the Agents, but in any event no later than April 19, 2010. The distribution price was determined by negotiation between the Agents and the Fund. See "Plan of Distribution".

The Class F Units are designed for fee-based accounts and differ from the Class A Units in the following ways: (i) Class F Units will not be listed on a stock exchange; (ii) the Agents' fees payable on the issuance of the Class F Units are lower than the Class A Units; and (iii) the Service Fee is only payable in respect of the Class A Units. Accordingly, the Net Asset Value per Unit of each class will not be the same as a result of the different fees allocable to each class of Units. See "Fees and Expenses".

REDEMPTION OF SECURITIES

Annual Redemptions

Class A Units and Class F Units may be redeemed on an Annual Redemption Date, subject to certain conditions and, in order to effect such a redemption, the Units must be surrendered by no later than 5:00 p.m. (Toronto time) on the last Business Day of June in the year of redemption. Unitholders whose Units are redeemed on an Annual Redemption Date will receive a redemption price in an amount equal to 100% of the Redemption Net Assets per Unit less any costs associated with the redemption, including brokerage costs, and less any net realized capital gains to the Fund that are distributed to a Unitholder concurrently with the proceeds of disposition on redemption. By virtue of the Forward Agreement, the Annual Redemption Price will be dependant upon the performance of BAB Trust (or the Notional Portfolio). Payment of the Annual Redemption Price will be made on or before the Redemption Payment Date, subject to the Manager's right to suspend redemptions in certain circumstances. Concurrently with the payment of the proceeds of redemption, the Fund may pay to the redeeming Unitholder a cash distribution in the amount of the net realized capital gains of the Fund incurred by it to fund the payment of the redemption price. The Redemption Net Assets per Unit will vary depending on a number of factors. See "Risk Factors".

Monthly Redemptions

In addition to the annual redemption right, Class A Units and Class F Units may also be redeemed on a Monthly Redemption Date, subject to certain conditions and, in order to effect such a redemption, the Units must be surrendered by no later than 5:00 p.m. (Toronto time) on the date which is the last Business Day of the month preceding the Monthly Redemption Date. Payment of the redemption price will be made on or before the Redemption Payment Date, subject to the Manager's right to suspend redemptions in certain circumstances. Concurrently with the payment of the proceeds of redemption, the Fund may pay to the redeeming Unitholder a cash distribution in the amount of the net realized capital gains of the Fund incurred by it to fund the payment of the redemption price. See "Risk Factors".

Unitholders surrendering a Class A Unit for redemption will receive a redemption price equal to the lesser of (i) 95% of the Market Price of a Class A Unit, and (ii) 100% of the Closing Market Price of a Class A Unit on the applicable Monthly Redemption Date less, in each case, any costs associated with the redemption, including brokerage costs, and less any net realized capital gains of the Fund that are distributed to a Unitholder concurrently with the proceeds of disposition on redemption, being the Monthly Redemption Amount. Unitholders surrendering a Class F Unit for redemption will receive an amount equal to the product of (i) the Monthly Redemption Amount and (ii) a fraction, the numerator of which is the most recently calculated Redemption Net Assets per Unit of a Class F Unit and the denominator of which is the most recently calculated Redemption Net Assets per Unit of a Class A Unit.

Pre-Settling the Forward Agreement

The Fund may settle the Forward Agreement in whole or in part prior to the Scheduled Forward Termination Date in order to fund redemptions. The value of the Forward Agreement on an Annual Redemption Date or a Monthly Redemption Date, and accordingly, the Net Asset Value per Unit on an Annual Redemption Date or Monthly Redemption Date, as applicable, and the redemption price will be dependent upon the performance of BAB Trust and the Net Asset Value of BAB Trust units (or the Notional Portfolio).

Exercise of Redemption Right

A Unitholder who desires to exercise redemption privileges must do so by causing the CDS Participant through which he or she holds his or her Units to deliver to CDS at its office in the City of Toronto on behalf of the Unitholder, a written notice of the Unitholder's intention to redeem Units by no later than 5:00 p.m. (Toronto time) on the applicable notice dates described above. A Unitholder who desires to redeem Units should ensure that the CDS Participant is provided with notice of his or her intention to exercise his or her redemption right sufficiently in advance of the Annual Redemption Date or Monthly Redemption Date deadline so as to permit the CDS Participant to deliver a notice to CDS by 5:00 p.m. (Toronto time) on the notice dates described above.

By causing a CDS Participant to deliver to CDS a notice of the Unitholder's intention to redeem Units the Unitholder will be deemed to have irrevocably surrendered his or her Units for redemption and appointed such CDS Participant to act as his or her exclusive settlement agent with respect to the exercise of such redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise, provided that the Manager may from time to time prior to the Annual Redemption Date or Monthly Redemption Date permit the withdrawal of a redemption notice on such terms and conditions as the Manager may determine, in its sole discretion, if such withdrawal will not adversely affect the Fund. Any expense associated with the preparation and delivery of the redemption notice will be for the account of the Unitholder exercising the redemption privilege.

Any redemption notice that CDS 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. A failure by a CDS Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with a Unitholder's instructions will not give rise to any obligations or liability on the part of the Fund, the Trustee or the Manager to the CDS Participant or the Unitholder.

Suspension of Redemptions

The Fund may suspend the redemption of Units or payment of redemption proceeds (a) 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 Canadian Securities Portfolio (by value) or 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 (b) for any period not exceeding 120 days during which the Manager determines that conditions exist which render impractical the sale of assets of the Fund or BAB Trust or which impair the ability of the Manager to determine the value of the assets of the Fund or BAB Trust. 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.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of McCarthy Tétrault LLP, counsel to the Fund, and Stikeman Elliott LLP, counsel to the Agents, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of Units by a Unitholder who acquires Units pursuant to this prospectus who is an individual (other than a trust) and who, at all relevant times, for the purposes of the Tax Act, is resident in Canada, deals at arm's length with the Fund, is not affiliated with the Fund, and holds Units as capital property. Generally, Units will be considered to be capital property to a Unitholder provided the Unitholder does not hold the Units in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain Unitholders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have such Units and all other "Canadian securities" (as defined in the Tax Act) owned or subsequently acquired by them treated as capital property by making an irrevocable election in accordance with subsection 39(4) of the Tax Act. This summary is based on the assumptions that the Canadian Securities Portfolio will consist solely of "Canadian securities" for purposes of the Tax Act and that the Fund will elect in accordance with the Tax Act to have each of its Canadian securities treated as capital property.

This summary is based on the current provisions of the Tax Act, counsel's understanding of the current administrative policies and assessing practices of the CRA published in writing by it, the Tax Proposals and certificates from the Agents and the Manager regarding certain matters. Except for the Tax Proposals, this summary does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, or any changes in the administrative policies and assessing practices of the CRA, nor does it take into account other federal or any provincial, territorial or foreign income tax legislation or considerations which may differ significantly from the tax considerations described herein. There can be no assurance that the Tax Proposals will be enacted in the form publicly announced or at all.

This summary is not exhaustive of all possible Canadian federal tax considerations applicable to an investment in Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary depending on the investor's particular circumstances including the province or provinces in which the investor resides or carries on business. Counsel express no views herein in respect of the deductibility of interest on any funds borrowed by a Unitholder to purchase Units. This summary is of a general nature only and is not intended to be legal or tax advice to any investor. Investors should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Units, based on their particular circumstances.

Status of the Fund

This summary is based on the assumptions that the Fund will qualify at all times as a "unit trust" and a "mutual fund trust" within the meaning of the Tax Act, and that the Fund will elect under the Tax Act to be a mutual fund trust from the date it was established. To qualify as a mutual fund trust the Fund must, among other things, comply on a continuous basis with certain minimum requirements respecting the ownership and dispersal of Units. The Manager has advised counsel that the Fund intends to make an election so that it can qualify under the Tax Act as a mutual fund trust from the commencement of its first taxation year.

Provided that the Fund qualifies as a mutual fund trust within the meaning of the Tax Act or, in the case of the Class A Units, such Units are listed on a designated stock exchange, the Units will be qualified investments under the Tax Act for trusts governed by a Registered Plan. Holders of tax-free savings accounts should consult with their tax advisors as to whether Units would be a prohibited investment in their particular circumstances. See "Taxation of Registered Plans", below.

Taxation of the Fund

The Fund will be 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 deducts in respect of the amount paid or payable to Unitholders in the year. Counsel have been advised that 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 "Distributions", it will generally not be liable in such year for income tax under Part I of the Tax Act, subject to the possible application of the SIFT Rules as discussed below. The Fund will be entitled for each taxation year throughout which it is a mutual fund trust to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemptions of Units during the year (capital gains refund). The capital gains refund in a particular taxation year may not completely offset the tax liability of the Fund for such taxation year which may arise upon the sale of Canadian Securities Portfolio securities acquired by the Fund under the Forward Agreement in connection with a redemption of Units. In computing its income for tax purposes (and subject to the October 31 Proposal, described below), the Fund may deduct reasonable administrative and other expenses incurred to earn income. The Fund may deduct the costs and expenses of the Offerings paid by the Fund and not reimbursed at a rate of 20% per year, pro-rated where the Fund's taxation year is less than 365 days.

The Fund will not realize any income, gain or loss as a result of entering into the Forward Agreement and no amount will be included in computing the Fund's income as a result of the acquisition of Canadian Securities Portfolio securities under the Forward Agreement. The cost to the Fund of such Canadian Securities Portfolio securities will be that portion of the aggregate amount paid by the Fund under the Forward Agreement attributable to such securities and any other costs of acquisition. Provided the Fund elects in accordance with the Tax Act to have each of its Canadian securities treated as capital property, gains or losses realized by the Fund on the sale of Canadian Securities Portfolio securities acquired under the Forward Agreement will be taxed as capital gains or capital losses.

On October 31, 2003 the Department of Finance announced a Tax Proposal (the October 31 Proposal) relating to the deductibility of losses under the Tax Act. Under the October 31 Proposal, a taxpayer will be considered to have a loss from a business or property for a taxation year only if, in that year, it is reasonable to assume that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, or can reasonably be expected to carry on, the business or has held, or can reasonably be expected to hold, the property. Profit, for this purpose, does not include capital gains or capital losses. If the October 31 Proposal were to apply to the Fund, deductions that would otherwise reduce the Fund's taxable income could be denied, with after-tax returns to the Unitholders reduced as a result. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace the October 31 Proposal would be released for comment at an early opportunity. To date, no such alternative proposal has been announced.

The SIFT Rules impose tax on certain income earned by a SIFT Trust. A trust will be considered a SIFT Trust if, at any time during the taxation year, it is resident in Canada, investments in the trust are listed or traded on a stock exchange or other public market and it holds one or more "non-portfolio properties". Provided the Fund complies with its investment restrictions, it will not be a SIFT Trust.

Taxation of Unitholders

Subject to the possible application of the SIFT Rules described above, a Unitholder will generally be required to include, in computing income for a taxation year, the amount of the Fund's net income for the taxation year, including net realized taxable capital gains, paid or payable to the Unitholder in the taxation year. The non-taxable portion of the Fund's net realized capital gains paid or payable (whether in cash or in Units) to a Unitholder in a taxation year will not be included in the Unitholder's income for the year. Any other amount in excess of the Fund's net income for a taxation year paid or payable to the Unitholder in the year will generally not be included in the Unitholder's income. Such amount, however, will generally reduce the adjusted cost base of the Unitholder's Units. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and the Unitholder's adjusted cost base will be increased by the amount of such deemed gain. Provided that appropriate designations are made by the Fund, such portion of the net realized taxable capital gains of the Fund as is paid or payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act.

On the disposition or deemed disposition of a Unit, the Unitholder will realize a capital gain (or capital loss) to the extent that the Unitholder's proceeds of disposition (net of any reasonable costs of disposition) exceed (or are less than) the adjusted cost base of the Unit. Any capital gains distribution paid on the redemption of a Unit will reduce the redemption proceeds otherwise payable. For the purpose of determining the adjusted cost base to a Unitholder, when a Unit is acquired, the cost of the newly acquired Unit will be averaged with the adjusted cost base of all identical Units owned by the Unitholder as capital property before that time. For this purpose, the cost of Units that have been issued as an Additional Distribution will generally be equal to the amount of the net income or capital gain distributed to the Unitholder in Units.

One-half of any capital gain (a taxable capital gain) realized on the disposition of Units will be included in the Unitholder's income and one-half of any capital loss realized may be deducted from taxable capital gains in accordance with the provisions of the Tax Act.

In general terms, net income of the Fund paid or payable to a Unitholder that is designated as net realized taxable capital gains or taxable capital gains realized on the disposition of Units may increase the Unitholder's liability for alternative minimum tax.

Based in part on the current published administrative policies and assessing practices of the CRA, a conversion of Class F Units into Class A Units will not constitute a disposition of the Class F Units for the purposes of the Tax Act.

Taxation of Registered Plans

Amounts of income and capital gains distributed by the Fund to a Registered Plan, and capital gains realized by a Registered Plan on a disposition of Units, are generally not taxable under Part I of the Tax Act while retained in a Registered Plan, provided that the Units are qualified investments under such Registered Plan. See "Eligibility for Investment". Unitholders should consult with their own advisors regarding the tax implications of establishing, amending, terminating or withdrawing amounts from a Registered Plan.

Taxation Implications of the Fund's Distribution Policy

The Net Asset Value per Unit will reflect any income and gains of the Fund that have accrued or have been realized but have not been made payable at the time the Units are acquired. Accordingly, a Unitholder who acquires Units may become taxable on the Unitholder's share of income and gains of the Fund that accrued before the Units were acquired, notwithstanding that such amounts will have been reflected in the price paid by the Unitholder for the Units. Since the Fund makes monthly distributions, as described under "Distributions", the consequences of acquiring Units late in a calendar year will generally depend on the amount of the monthly distributions throughout the year and whether an Additional Distribution is necessary late in the calendar year to ensure that the Fund will not be liable for income tax on such amounts under the Tax Act.

Eligibility for Investment

In the opinion of McCarthy Tétrault LLP, counsel for the Fund, and Stikeman Elliott LLP, counsel for the Agents, provided that the Fund qualifies as a mutual fund trust within the meaning of the Tax Act or, in the case of Class A Units, such Units are listed on a designated stock exchange, the Units will be qualified investments under the Tax Act for Registered Plans.

Notwithstanding the foregoing, if the Units are "prohibited investments" for a tax-free savings account ("TFSA"), the holder of the TFSA will be subject to a penalty tax as set out in the Tax Act. A "prohibited investment" includes a unit of a trust which does not deal at arm's length with the holder of the TFSA, or in which the holder has a significant interest, which in general terms means the ownership of 10% or more of the value of the trust's outstanding units by the holder, either alone or together with persons and partnerships with whom the holder does not deal at arm's length. Holders of TFSAs should consult with their tax advisors in this regard.

ORGANIZATION AND MANAGEMENT DETAILS OF THE FUND

The Manager

Connor, Clark & Lunn Capital Markets Inc. oversees, manages and implements the objectives of the Fund. The Fund's investment objectives are to (i) provide Unitholders with monthly tax-advantaged cash distributions, and (ii) maximize total return for Unitholders, while seeking to reduce risk. The Manager has offices at 181 University Avenue, Suite 300, Toronto, Ontario M5H 3M7.

Duties and Services to be provided by the Manager

Pursuant to the Trust Agreements, the Manager has exclusive authority to manage the operations and affairs of the Fund and BAB Trust, as applicable, to make all decisions regarding the undertaking of the Fund and BAB Trust and to bind the Fund and BAB Trust. 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 and/or BAB Trust to do so.

The Manager's duties will include maintaining accounting records for the Fund and BAB Trust; authorizing the payment of operating expenses incurred on behalf of the Fund and/or BAB Trust; 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 and BAB Trust comply with regulatory requirements, including its continuous disclosure requirements under applicable securities laws; preparing the Fund's and BAB Trust's reports to unitholders and to the Canadian securities regulators; providing the Custodian with information and reports necessary for the Custodian to fulfil its fiduciary responsibilities; currency hedging; administering the redemption of Units; arranging for any payment required on the termination of the Fund and/or BAB Trust; 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 will also implement the Fund's and BAB Trust's investment strategy to ensure compliance with the Fund's and BAB Trust's investment guidelines and that the net proceeds of the Offerings are invested as described under "Use of Proceeds".

The Fund will enter into the Registrar, Transfer Agency and Distribution Agency Agreement, as referred to under "Organization and Management Details of the Fund — Transfer Agent and Registrar". The Fund may terminate the foregoing agreement upon notice.

Details of the Manager's Obligations under the Trust Agreements

Pursuant to the Trust Agreements, 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, BAB Trust and their respective unitholders, as applicable, 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 Agreements provide that the Sub-Advisor shall not be liable in any way for any default, failure or defect in the securities held by the Fund or 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 judgement, 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 wilful misconduct, bad faith or negligence or breach of its obligations under the Trust Agreements and is responsible for any investment advisory and portfolio management services provided to the Fund and BAB Trust, including those provided to BAB Trust by the Sub-Advisor.

The Manager may resign as manager of the Fund and/or BAB Trust upon 60 days' notice to the applicable unitholders and to the Fund and/or BAB Trust, as applicable, or upon such lesser notice period as the Fund or BAB Trust, as applicable, 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 or BAB Trust, as applicable. If the Manager is in material default of its obligations under the applicable 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 or BAB Trust shall give notice thereof to its unitholders, and such unitholders may remove the Manager and appoint a successor manager.

The Manager is entitled to fees for its services under the Trust Agreements 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 and BAB Trust, as applicable, 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 wilful misconduct, bad faith or negligence or the Manager's failure to meet the standard of care set forth above.

Conflicts Of Interest — Manager and Trustee

The management and administrative services provided by the Manager to each of the Fund and BAB Trust pursuant to the Trust Agreements are not exclusive and nothing in the Trust Agreements 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 each of the Fund and BAB Trust 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 or BAB Trust and for one or more of its other clients. If the Fund or BAB Trust 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.

The Fund Trust Agreement acknowledges that the Trustee may provide services to the Fund in other capacities, provided that the terms of any such arrangements are no less favourable to the Fund than those which would be obtained from parties which are at arm's length for comparable services. The Trustee may act as trustee of, and provide services to, other investment funds or trusts.

Accounting and Reporting

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

The Manager will keep adequate books and records reflecting the activities of the Fund. A Unitholder or his or her duly authorized representative will have 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.

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 of residence	Position with the Manager	Principal occupation
W. NEIL MURDOCH Oakville, Ontario	Director, President and Chief Executive Officer	Director, President and Chief Executive Officer, Connor, Clark & Lunn Capital Markets Inc.
MICHAEL W. FREUND Toronto, Ontario	Director, Chairman and Chief Financial Officer	Managing Partner, Connor, Clark & Lunn Financial Group
DARREN N. CABRAL Toronto, Ontario	Director, Vice-President	Vice-President, Connor, Clark & Lunn Capital Markets Inc.

Each of the foregoing has held his current position or has held a similar position with the Manager during the five years preceding the date hereof, except for Darren N. Cabral who joined Connor, Clark & Lunn Capital Markets Inc. in May 2007 and was elected as a director on September 29, 2009.

W. Neil Murdoch: *CFA; B.Comm, McGill University; LLB, University of Toronto; Master of Management, Kellogg Graduate School of Management, Northwestern University.* Mr. Murdoch joined Connor, Clark & Lunn Capital Markets Inc. in December 2003. Prior thereto, Mr. Murdoch was Executive Vice-President and Portfolio Manager at AIC Group of Funds.

Michael W. Freund: *B.Bus.Sci., University of Cape Town.* Mr. Freund has held various management positions within the Connor, Clark & Lunn Financial Group of companies since 1997. Mr. Freund's current principal occupation is Managing Partner of the Connor, Clark & Lunn Financial Group.

Darren N. Cabral: *CFA; BA (Hons.), York University; MBA, Schulich School of Business, York University.* Mr. Cabral joined Connor, Clark & Lunn 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.

The Sub-Advisor

Nuveen Asset Management will act as the Sub-Advisor to BAB Trust in connection with the selection, composition, purchase and sale of Build America Bonds and other Permissible Securities. Founded in 1898, Nuveen Investments, Inc. and its affiliates had approximately U.S. $140 billion in assets under management as of September 30, 2009. The Sub-Advisor, Nuveen Asset Management, is a wholly-owned subsidiary of Nuveen Investments, Inc. and is one of the largest managers of municipal bonds in the world. As at September 30, 2009, the Sub-Advisor had approximately U.S. $68.8 billion in municipal securities under management. The Sub-Advisor is a U.S. registered investment adviser and has offices at 333 West Wacker Drive, Chicago, Illinois 60606.

Nuveen Investments, Inc. is controlled by an investor group led by Madison Dearborn Partners, a private equity investment firm, and that includes affiliates of Merrill Lynch & Co Inc. and Bank of America Corporation, among others. Nuveen Asset Management has adopted policies and procedures that address arrangements involving Nuveen Asset Management and Bank of America Corporation (including Merrill Lynch) that may give rise to certain conflicts of interest.

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 BAB Trust is set out below:

Name and municipality	Position with the Sub-Advisor	Principal occupation
DANIEL JOSEPH CLOSE . . . . Wilmette, Illinois, U.S.A.	Vice-President and Portfolio Manager	Portfolio Manager
JOHN V. MILLER . . . . Winnetka, Illinois, U.S.A.	Chief Investment Officer and Managing Director	Chief Investment Officer and Portfolio Manager
WILLIAM T. HUFFMAN JR. . . . . . . Grayslake, Illinois, U.S.A.	Chief Operating Officer and Managing Director	Chief Operating Officer and Managing Director

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 will be 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 will provide 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 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 Chief Investment Officer and Managing Director of Nuveen Asset Management. He supervises 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 Chief Operating Officer/Co-Head, Municipal Fixed Income. He is responsible for leading the business management activities of the municipal team. 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.

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 judgement, 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 wilful 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, licence 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 out of its fees.

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 will be 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.

Independent Review Committee

The Manager has appointed an independent review committee (the Independent Review Committee) in accordance with NI 81-107 comprised of three 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 will report annually to the Fund which report will be available free of charge upon request to the Manager and will also be posted on the Manager's website at www.cclgroup.com. Information contained on the Manager's website is not part of this prospectus and is not incorporated herein by reference.

The members of the Independent Review Committee are Fred Lazar, Frank Santangeli and Joseph Wright. The Independent Review Committee acts as a review committee for a number of investment funds managed by the Manager and by Connor, Clark & Lunn Managed Portfolios Inc., an affiliate of the Manager.

The fees and other reasonable expenses of members of the Independent Review Committee, as well as premiums for insurance coverage for such members, will be paid by the Fund and approximately 20 other applicable investment funds managed by the Manager and Connor, Clark & Lunn Managed Portfolios Inc. with each fund's share based on a complexity factor approved by the Independent Review Committee on a *pro rata* basis. It is expected that the annual retainer fees (but not including expenses) and insurance for the Independent Review Committee for all such funds collectively will be approximately $55,000. In addition, the Fund has agreed to indemnify the members of the Independent Review Committee against certain liabilities.

Trustee

RBC Dexia Investor Services Trust is the trustee of the Fund under the Fund Trust Agreement and, as such, is responsible for certain aspects of the day-to-day administration of the Fund as described in the Fund 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 Fund 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 Fund Trust Agreement provides that the Trustee shall not be liable in carrying out its duties under the Fund Trust Agreement except where it is in breach of its obligations under the Fund 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 Fund 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.

Custodian

RBC Dexia Investor Services Trust will act as Custodian of the assets of the Fund pursuant to the Trust Agreement. The Custodian, in its capacity as valuation services agent, will also carry 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. The Custodian's office is located in Toronto, Ontario.

Auditor

The auditor of the Fund and BAB Trust is PricewaterhouseCoopers LLP, Chartered Accountants, at 77 King Street West, Suite 3000, Toronto, Ontario, M5K 1G8.

Transfer Agent and Registrar

Pursuant to the Registrar, Transfer Agency and Distribution Agency Agreement, Computershare Investor Services Inc. will act as transfer agent and registrar for the Units and will maintain the securities registers at its office in Toronto.

The Promoter

Connor, Clark & Lunn Capital Markets Inc. may be considered a promoter of the Fund by reason of its initiative in forming and establishing the Fund and taking the steps necessary for the public distribution of the Units. Connor, Clark & Lunn Capital Markets Inc. will not receive any benefits, directly or indirectly, from the issuance of Units offered hereunder other than amounts paid to it in its capacity as Manager of the Fund as described under "Fees and Expenses". Connor, Clark & Lunn Capital Markets Inc. has offices in Toronto, Ontario.

CALCULATION OF NET ASSET VALUE

Calculation of Net Asset Value

The Valuation Agent will calculate the Net Asset Value per Unit of each class of Units as at the close of business on each Valuation Date. At a minimum, Valuation Dates will be 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 any other date on which the Manager elects, in its discretion, to calculate the Net Asset Value per Unit of a class of Units. The Fund will make available to the financial press for publication on a weekly basis the Net Asset Value per Unit. Such amount will also be available on the Manager's website at www.cclcapitalmarkets.com.

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 of the Fund less (ii) the aggregate value of the liabilities of the Fund. The Net Asset Value of Units of a class on a particular date will be equal to the Net Asset Value of the Fund allocated to that class, including an allocation of any net realized capital gains or other amounts payable to Unitholders of that class on or before such date. The Net Asset Value per Unit of a class on any day will be obtained by dividing the Net Asset Value of that class on such day by the number of Units of that class then outstanding.

For the purpose of calculating Net Asset Value of the Fund or BAB Trust on a Valuation Date, the Total Assets of the Fund or BAB Trust 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 Valuation Agent 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 Valuation Agent determines to be the fair market value thereof;

(b) the value of any bonds, debentures and other debt obligations 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 Valuation Agent, 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 Valuation Agent) 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 Valuation Agent 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 Valuation Agent (generally the Valuation Agent 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 Valuation Agent 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 Valuation Agent 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 Valuation Agent;

(h) the value of the Forward Agreement and any other forward contract or other derivatives, such as future contracts, swap contracts or options on financial futures, 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 Agreement or any other forward contract or other derivatives were closed out in accordance with its terms; and

(i) the value of any security or property to which, in the opinion of the Valuation Agent, 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 Valuation Agent determines in consultation with the Manager from time to time.

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 of a class determined in accordance with the principles set out above may differ from Net Asset Value per Unit determined under Canadian generally accepted accounting principles.

For the purposes of calculating the Redemption Net Assets per Unit in connection with a redemption of Units on an Annual Redemption Date, the value of the Forward Agreement will be determined on the basis that any bonds, debentures and other debt obligations that are owned by BAB Trust will be valued by taking the bid price on the Valuation Date.

Reporting of Net Asset Value

The Net Asset Value per Unit will be provided weekly to Unitholders at no cost on the Manager's website at www.cclcapitalmarkets.com, and will also be available to Unitholders upon request, at no cost, by calling 1-888 276-2258.

DESCRIPTION OF THE UNITS

The Units

The beneficial interest in the net assets and net income of the Fund is divided into two classes of units, Class A Units and Class F Units. The Fund is authorized to issue an unlimited number of Units of each class. The Class F Units are designed for fee-based accounts and differ from the Class A Units in the following ways: (i) Class F Units will not be listed on a stock exchange; (ii) the Agents' fee payable on the issuance of the Class F Units is lower than the Class A Units; and (iii) the Service Fee is only payable in respect of the Class A Units only, as described under "Fees and Expenses". Accordingly, the Net Asset Value per Unit of each class will not be the same as a result of the different fees allocable to each class of Units. Each Unit entitles the holder to the same rights and obligations as a Unitholder and no Unitholder is entitled to any privilege, priority or preference in relation to any other holder of Units. Each Unitholder is entitled to one vote for each Unit held and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net realized capital gains, if any. On the redemption of Units, however, the Fund may in its sole discretion, designate payable to redeeming Unitholders, as part of the redemption price, any capital gains realized by the Fund in the taxation year in which the redemption occurred. On termination or liquidation of the Fund, the Unitholders of record are entitled to receive on a *pro rata* basis with holders of Units of that class all of the assets of the Fund attributable to that class remaining after payment of all debts, liabilities and liquidation expenses of the Fund. Unitholders will have no voting rights in respect of securities held by the Fund. BAB Trust has delegated to the Manager the responsibility for voting on matters for which BAB Trust receives, in its capacity as a securityholder, proxy materials for a meeting of securityholders of an issuer included in the Portfolio. See "Proxy Voting Disclosure".

See "Unitholder Matters — Amendment of Fund Trust Agreement" with respect to the modification, amendment or variation of the rights attached to the Units.

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 Fund Trust Agreement.

Conversion of Class F Units

A holder of Class F Units may convert Class F Units into Class A Units and it is expected that liquidity for the Class F Units will be primarily obtained by means of conversion into Class A Units and the sale of those Class A Units. Class F Units may be converted in any week on the Conversion Date by delivering a notice and surrendering such Class F Units by 5:00 p.m. (Toronto time) at least 5 Business Days prior to the Conversion Date. For each Class F Unit so converted, a holder will receive that number of Class A Units equal to the Net Asset Value per Class F Unit as of the close of trading on the Business Day immediately preceding the Conversion Date divided by the Net Asset Value per Class A Unit as of the close of trading on the Business Day immediately preceding the Conversion Date. No fractions of Class A Units will be issued upon any conversion of Class F Units, and any fractional amounts will be rounded down to the nearest whole number of Class A Units. A conversion will not be treated as a disposition of Class F Units for the purposes of the Tax Act.

Purchase for Cancellation

The Fund Trust Agreement provides that the Fund may, in its sole discretion, from time to time, purchase (in the open market or by invitation for tenders) Class A Units for cancellation subject to applicable law and stock exchange requirements, based on the Manager's assessment that such purchases are accretive to Unitholders, in all cases at a price per Class A Unit not exceeding the most recently calculated Net Asset Value per Class A Unit immediately prior to the date of any such purchase of Units. It is expected that these purchases will be made as normal course issuer bids through the facilities and under the rules of the TSX or such other exchange or market on which the Class A Units are then listed.

Take-over Bids

The Fund Trust Agreement contains provisions to the effect that if a take-over bid is made for the Class A Units and not less than 90% of the aggregate of the Class A Units (but not including any Class A Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Class A Units held by the Unitholders who did not accept the take-over bid on the terms offered by the offeror.

The Fund Trust Agreement also provides that if, prior to the termination of the Fund, a formal bid (as defined in the *Securities Act* (Ontario)) is made for all of the Class F Units, if such bid would constitute a formal bid for all Class A Units if the Class F Units had been converted to Class A Units immediately prior to such bid and the Class F offer does not include a concurrent identical take-over bid, including in terms of price (relative to the Net Asset Value per Unit of the class), for the Class A Units, then the Fund shall provide the holders of Class A Units the right to convert all or a part of their Class A Units into Class F Units and to tender such units to the Class F offer. In the circumstances described above, the Fund shall by press release provide written notice to the holders of the Class A Units that such an offer has been made and of the right of such holders to convert all or a part of their Class A Units into Class F Units and to tender such units to the Class F offer.

Book Entry Only System

Registration of interests in and transfers of the Units will be made only through the Book-Entry Only System. On the Closing Date, the Manager, on behalf of the Fund will deliver to CDS certificates representing the aggregate number of Class A Units and Class F Units then subscribed for under the Offerings. Class A Units and Class F Units must be purchased, converted, transferred and surrendered for redemption through a CDS Participant. All rights of Unitholders must be exercised through, and all payments or other property to which such Unitholders are entitled will be made or delivered by CDS or the CDS Participant through which the Unitholder holds such Units. Upon purchase of any Units, the Unitholders will receive only a customer confirmation from the registered dealer which is a CDS Participant and from or through which the Units are purchased.

The ability of a beneficial owner of Units to pledge such Units or otherwise take action with respect to such Unitholder's interest in such Units (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

The Fund has the option to terminate registration of the Units through the Book-Entry Only System, in which case certificates for the Units in fully registered form would be issued to beneficial owners of such Units or their nominees.

UNITHOLDER MATTERS

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 (whether Class A Units and/or Class F Units) by a written requisition specifying the purpose of the meeting. The Trustee or the Manager may convene a Class A Meeting or Class F Meeting if the nature of the business to be transacted at that meeting is only relevant to Unitholders of the applicable class.

Notice of all meetings of Unitholders (whether a meeting of all Unitholders, a Class A Meeting or a Class F Meeting) will be given in accordance with the Fund Trust Agreement and applicable law. The quorum for a meeting of all Unitholders is two or more Unitholders present in person or represented by proxy holding not less than five percent of the Units then outstanding (whether Class A Units or Class F Units). The quorum for a Class A Meeting is two or more holders of Class A Units present in person or represented by proxy holding not less than five percent of the Class A Units then outstanding. The quorum for a Class F Meeting is two or more holders of Class F Units present in person or represented by proxy holding not less than five percent of the Class F 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.

The Fund, subject to obtaining any necessary regulatory approvals, does not intend to hold annual meetings of Unitholders. However, the Fund will undertake to the TSX to hold annual meetings of Unitholders if so instructed by the TSX.

Matters Requiring Unitholder Approval

The following matters may only be undertaken with the approval of Unitholders by an Extraordinary Resolution:

(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 Fund Trust Agreement; and

(i) any amendment to the above provisions except as permitted by the Fund Trust Agreement.

Notwithstanding the foregoing, the Trustee is entitled to amend the Fund 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 Fund 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 Fund 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 Fund 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) maintain the status of the Fund as a "mutual fund trust" for the purposes of the Tax Act or to respond to amendments to such Act or to the interpretation or administration thereof;

(e) provide added protection or benefit to Unitholders; or

(f) make such modifications as may be necessary or desirable in connection with the termination of the Forward Agreement prior to the Forward Termination Date as a result of the termination of the Fund as described under "Termination of the Fund".

Amendment of Fund Trust Agreement

Except as provided above, the Fund 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 Fund Trust Agreement, or by the written consent in lieu of a meeting if there is only one Unitholder.

Reporting to Unitholders

The Fund will make available to Unitholders such financial statements and other continuous disclosure documents as are required by applicable law, including (a) unaudited interim and audited annual financial statements, prepared in accordance with Canadian generally accepted accounting principles and, (b) interim and annual management reports of fund performance. The Fund will mail the financial statements prepared for BAB Trust to all of the Unitholders who receive the Fund's financial statements. The Fund will make 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.

TERMINATION OF THE FUND

The Fund will have 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 Fund 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 Fund 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;

(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; and

(c) the Manager may terminate the Fund in the event of a termination of the Forward Agreement prior to the Scheduled Termination Date, provided that the Manager has given Unitholders notice of such termination at least 60 days in advance of such date of termination of the Fund.

If the Forward Agreement terminates prior to the termination of the Fund, the Fund may enter into a new forward agreement or amend the Fund Trust Agreement to permit the Fund to hold the Portfolio directly. Although these actions do not require Unitholder approval, the Fund will provide at least 30 days notice to Unitholders of any such action by way of press release. The Fund will issue a second press release at least 10 days in advance of any such action.

The Fund 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 Fund 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 Fund 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. There can be no assurance that Unitholders will receive $25.00 per Unit upon any termination of the Fund.

USE OF PROCEEDS

The net proceeds from the issue of the maximum number of Units offered hereby (after payment of the Agents' fee and the expenses of the Offerings) are estimated to be approximately $117,787,500, assuming that the Over-Allotment Option is not exercised. If the Over-Allotment Option is exercised in full under the maximum Offerings the net proceeds to the Fund (after payment of the Agents' fee and the expenses of the Offerings) are estimated to be approximately $135,553,125. The Fund will use the net proceeds of the Offerings (including any net proceeds from the exercise of the Over-Allotment Option) to pre-pay its purchase obligations under the Forward Agreement with the Counterparty. Under the Forward Agreement, the Fund will, on or about the Forward Termination Date, acquire the Canadian Securities Portfolio from the Counterparty having an aggregate value equal to the redemption proceeds of all of the units of BAB Trust net of any amount owing by the Fund to the Counterparty. The Fund may also directly hold a small amount of the same securities as are held in the Canadian Securities Portfolio.

PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement, the Agents have agreed to act as, and have been appointed as, the sole and exclusive agents of the Fund to offer the Units for sale, subject to prior sale, on a best efforts basis, if, as and when issued by the Fund in accordance with the conditions contained in the Agency Agreement. The Units will be issued at a price of $25.00 per Unit. The offering price per Unit was determined by negotiation between the Agents and the Manager on behalf of the Fund. In consideration for their services in connection with the Offerings, the Agents will be paid a fee of $1.3125 per Class A Unit and $0.5625 per Class F Unit sold under the Offerings and will be reimbursed for reasonable out of pocket expenses incurred by them. The Agents' fees and expenses will be paid by the Fund out of the proceeds of the Offerings. The Agents may form a sub-agency group including other qualified investment dealers and limited market dealers and determine the fee payable to the members of such group, which fee will be paid by the Agents out of their fees. While the Agents have agreed to use their best efforts to sell the Units offered hereby, the Agents will not be obligated to purchase any Units which are not sold.

The Fund has granted to the Agents the Over-Allotment Option, which is exercisable for a period of 30 days from the Closing Date and gives the Agents the right to offer additional Class A Units in an amount equal to up to 15% of the aggregate number of Class A Units sold on Closing on the same terms as set forth above. To the extent that the Over-Allotment Option is exercised, the additional Class A Units will be sold at $25.00 per Class A Unit and the Agents will be paid a fee of $1.3125 per Class A Unit sold. This prospectus qualifies the grant of the Over-Allotment Option as well as distribution of the Class A Units issuable upon the exercise of the Over-Allotment Option. A purchaser who acquires Class A Units forming part of the Over-Allotment Option acquires such Units under this prospectus, regardless of whether the Over-Allotment Option is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

Subscription amounts received in trust will be held in segregated accounts with a depository who is a registered dealer, bank or trust company until the minimum amount of subscriptions for Class A Units has been obtained. If subscriptions for a minimum of 800,000 Class A Units (or $20,000,000) have not been received within 90 days following the date of issuance of a final receipt for this prospectus, the Offerings may not continue without the consent of the securities regulatory authorities and those who have subscribed for Units on or before such date. In the event such consents are not obtained or if the Closing does not occur for any reason, subscription proceeds received from prospective purchasers in respect of the Offerings will be returned to such purchasers promptly without interest or deduction. The maximum number of Class A Units and/or Class F Units that will be sold is 5,000,000 or $125,000,000. Under the terms of the Agency Agreement, the Agents, at their discretion on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events, may terminate the Agency Agreement and withdraw all subscriptions for Units on behalf of subscribers. Subscriptions for Units will be received subject to rejection or allotment in whole or in part. The right is reserved to close the subscription books at any time without notice. The Closing will take place on or about February 18, 2010 or such later date as the Fund and the Agents may agree, but in any event not later than April 19, 2010.

The Toronto Stock Exchange has conditionally approved the listing of the Class A Units. Listing is subject to the Fund fulfilling all of the requirements of the Toronto Stock Exchange on or before April 19, 2010. On Closing, the Fund will enter into the Forward Agreement with the Counterparty, which will be a Canadian chartered bank or an affiliate thereof and an affiliate of one of the Agents. Accordingly, the Fund may be considered to be a "connected issuer" of such Agent. See "Overview of the Structure of the Investment — The Forward Agreement".

Pursuant to policy statements of the Ontario Securities Commission and the Autorité des marchés financiers, the Agents may not, throughout the period of distribution under this prospectus, bid for or purchase Units. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Units. These exceptions include a bid or purchase permitted under the by-laws and rules of the TSX relating to market stabilization and passive market making activities and a bid or purchase made for or on behalf of a customer where the order was not solicited during the period of distribution. Subject to the foregoing and applicable laws, an Agent may, in connection with these Offerings, over-allot or effect transactions in connection with its over-allotted position. Such transactions, if commenced, may be discontinued at any time.

Although units of BAB Trust are not being offered to the public, the Fund has agreed to obtain a receipt for a prospectus of BAB Trust from the Autorité des marchés financiers. The Fund has also agreed to deliver a copy of such prospectus to purchasers of Units in the Province of Québec prior to the purchase of Units by any person in the Province of Québec.

Pursuant to the Agency Agreement, the Fund and the Manager have agreed to indemnify the Agents and their controlling persons, directors, officers and employees against certain liabilities.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Manager is entitled to receive the Management Fee and fees pursuant to the Trust Agreements and the Sub-Advisor will be entitled to receive fees from the Manager pursuant to the Sub-Advisor Agreements. See "Organization and Management Details of the Fund" and "Fees and Expenses".

PROXY VOTING DISCLOSURE FOR PORTFOLIO SECURITIES HELD

Policies and Procedures

Subject to compliance with the provisions of applicable law, the Manager has the right to vote proxies relating to the securities in the Portfolio and the securities held directly by the Fund. Proxies must be voted in a manner consistent with the best interests of the Fund and BAB Trust.

Because BAB Trust does not purchase securities for the purposes of exercising control or direction over the securities of the Portfolio, as a general rule, proxies will be voted with management on routine business. Examples of routine business are voting on the size, nomination and election of the board of directors and the appointment of auditors. All other special or non-routine matters will be assessed on a case-by-case basis with a focus on the potential impact of the vote on the value of BAB Trust's investment. Examples of non-routine business are stock based compensation plans, executive severance compensation arrangements, shareholders rights plans, corporate restructuring plans, going private transactions in connection with leveraged buyouts, supermajority approval proposals, and stakeholder or shareholder proposals.

On rare occasions, the Manager may abstain from voting a proxy or a specific proxy item when it is concluded that the potential benefit of voting the proxy is outweighed by the cost of voting the proxy. In addition, the Manager will not vote proxies received for securities which are no longer held in the Portfolio or by the Fund as applicable.

On the delivery of the Canadian Securities Portfolio by the Counterparty on the Forward Termination Date, the Manager acting on the Manager's behalf will retain the right to vote proxies relating to the securities in the Canadian Securities Portfolio pursuant to the Fund Trust Agreement. The Manager will vote the proxies relating to the securities in the Canadian Securities Portfolio in the same manner and with the same restrictions as those proxies voted in relation to the securities in the Portfolio.

Proxy Voting Conflicts of Interest

Where proxy voting could give rise to a conflict of interest or perceived conflict of interest, in order to balance the interest of BAB Trust in voting proxies with the desire to avoid the perception of a conflict of interest, the Manager has instituted procedures to help ensure that BAB Trust's proxy is voted in accordance with the business judgment of the person exercising the voting rights on behalf of BAB Trust, uninfluenced by considerations other than the best interests of BAB Trust.

The procedures for voting proxies where there may be a conflict of interest include escalation of the issue to the Independent Review Committee, for their consideration and advice, although the responsibility for deciding how to vote BAB Trust's proxies and for exercising the vote remains with the Manager.

Disclosure of Proxy Voting Guidelines and Record

A copy of the Manager's proxy voting guidelines will be made available on the Internet at www.cclcapitalmarkets.com. The most recent proxy voting record for BAB Trust for the most recent period ended June 30 of each year will also be available on the Internet at www.cclcapitalmarkets.com.

MATERIAL CONTRACTS

The only material contracts entered into by the Fund or the Manager during the past two years or to which either of them will become a party prior to the Closing, other than during the ordinary course of business, are as follows:

(a) the Fund Trust Agreement;

(b) the BAB Trust Agreement;

(c) the Agency Agreement; and

(d) the Forward Agreement.

Copies of the foregoing documents may be examined during normal business hours at the principal office of the Fund during the period of distribution to the public of the Units offered under the Offerings and for a period of 30 days thereafter. Copies of the Fund Trust Agreement may be obtained at any time from the Manager on written request.

EXPERTS

Certain legal matters in connection with the issuance and sale of the Units offered by this prospectus will be passed upon on behalf of the Fund by McCarthy Tétrault LLP and on behalf of the Agents by Stikeman Elliott LLP.

The auditors of the Fund and BAB Trust are PricewaterhouseCoopers LLP, Chartered Accountants. PricewaterhouseCoopers LLP is independent with respect to the Fund and BAB Trust within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

EXEMPTIONS AND APPROVALS

The Fund has applied to the Ontario Securities Commission, as principal regulator under the Process for Exemptive Relief Application in Multiple Jurisdictions pursuant to Part 17 of National Instrument 81-106 *Investment Fund Continuous Disclosure*, for relief from the requirement to calculate Net Asset Value at least once every business day as required by Part 14 of National Instrument 81-106. The Ontario Securities Commission granted the requested relief (which relief is intended to be relied upon by the Fund in each of the Provinces and Territories of Canada) on January 22, 2010 and, as a result, the Fund will calculate Net Asset Value weekly. The Fund continues to rely on the exemption granted by the Ontario Securities Commission as of the date of this prospectus and expects to continue to rely on such exemption.

PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities within two Business Days after receipt or deemed receipt of a prospectus and any amendment thereto. In several of the provinces and territories of Canada, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if this prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of his or her province or territory of residence for the particulars of these rights or consult with a legal advisor.

In addition, the Manager has agreed on behalf of the Fund that purchasers in the Province of Québec have the right to withdraw from an agreement to purchase Units which may be exercised within two Business Days after receipt or deemed receipt of a prospectus of BAB Trust.

AUDITORS' CONSENT

We have read the prospectus of Build America Investment Grade Bond Fund (the "**Fund**") dated January 28, 2010 relating to the initial public offerings of Class A Units and Class F Units of the Fund. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above mentioned prospectus of our report to the Unitholder and the Manager of the Fund on the statement of net assets of the Fund as at January 28, 2010. Our report is dated January 28, 2010.

Toronto, Ontario
January 28, 2010

(Signed) "PricewaterhouseCoopers LLP"
Chartered Accountants, Licensed Public Accountants

AUDITORS' REPORT

To the Unitholder and the Manager of Build America Investment Grade Bond Fund

We have audited the statement of net assets of Build America Investment Grade Bond Fund (the "**Fund**") as at January 28, 2010. This statement of net assets is the responsibility of the Fund's management. Our responsibility is to express an opinion on this statement of net assets based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the statement of net assets is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of net assets. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of net assets.

In our opinion, this statement of net assets presents fairly, in all material respects, the financial position of the Fund as at January 28, 2010 in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
January 28, 2010

(Signed) "PricewaterhouseCoopers LLP"
Chartered Accountants, Licensed Public Accountants

BUILD AMERICA INVESTMENT GRADE BOND FUND

STATEMENT OF NET ASSETS

As at January 28, 2010

Assets	
Cash	$25
Unitholder's Equity	
Unitholder's Equity (Note 1)	$25

Approved on behalf of Build America Investment Grade Bond Fund
By: Connor, Clark & Lunn Capital Markets Inc., as Manager

(Signed) "W. Neil Murdoch"
Director

(Signed) "Michael Freund"
Director

The accompanying notes are an integral part of this statement of net assets.

BUILD AMERICA INVESTMENT GRADE BOND FUND

NOTES TO STATEMENT OF NET ASSETS

As at January 28, 2010

1. ORGANIZATION AND UNITHOLDER'S EQUITY

Build America Investment Grade Bond Fund (the "**Fund**") is an investment fund established under the laws of the Province of Ontario pursuant to a trust agreement dated as of January 28, 2010. The beneficiaries of the Fund will be the holders of Class A Units and Class F Units. The Fund's investment objectives are to (i) provide unitholders with monthly tax-advantaged cash distributions, and (ii) maximize total return for unitholders, while seeking to reduce risk.

The beneficial interest in the net assets and net income of the Fund is divided into two classes of units, Class A Units and Class F Units (collectively, the "**Units**"). The Fund is authorized to issue an unlimited number of transferable, redeemable Units. The Class F Units are designed for fee-based accounts and differ from the Class A Units in the following ways: (i) Class F Units will not be listed on a stock exchange; (ii) the Agents' fees payable on the issuance of the Class F Units are lower than the Class A Units; and (iii) as described in note 2, the service fee is only payable in respect of the Class A Units. Accordingly, the net asset value per unit of each class will not be the same as a result of the different fees allocable to each class of Units. On January 28, 2010, the Fund was settled and issued an initial Class A Unit for cash consideration of $25 to Connor, Clark & Lunn Capital Markets Inc., the settlor of the Fund

The Fund may purchase (in the open market or by invitation for tenders) Class A Units for cancellation subject to applicable law and stock exchange requirements, based on the assessment of Connor, Clark & Lunn Capital Markets Inc. (the "**Manager**") that such purchases are accretive to the holders of Units.

2. MANAGEMENT AND SERVICE FEES

The Manager will receive a Management Fee from the Fund and BAB Trust (being a newly created Ontario trust that will acquire the portfolio) equal in the aggregate to 0.80% per annum of the applicable Net Asset Value (0.30% from the Fund and 0.50% from BAB Trust), calculated and payable monthly in arrears, plus applicable taxes. The Fund will also pay to the Manager a service fee (the "**Service Fee**") of 0.30% per annum, payable quarterly, of the net asset value of the Fund attributable to the Class A Units, plus applicable taxes. The service fee will be used by the Manager to in turn pay a service fee to dealers based on the number of Class A Units held by the clients of such dealers. No service fee is payable in respect of the Class F Units. In connection with a forward agreement (the "**Forward Agreement**") to be entered into the Fund has agreed to pay to the counterparty a fee equal to 0.35% of the total assets of BAB Trust. The Manager estimates that ongoing expenses, exclusive of the Management Fee, the Service Fee, fees under the Forward Agreement and brokerage expenses related to portfolio transactions will be approximately $150,000 per year for the Fund and $50,000 per year for the BAB Trust (assuming an aggregate size of the Offerings of approximately $100 million).

The Units may be redeemed on the second last Business Day of July of each year, commencing in 2011 (each, an "**Annual Redemption Date**"), subject to certain conditions. A holder of Units (each, a "**Unitholder**") whose Units are redeemed on an Annual Redemption Date will receive a redemption price in an amount equal to 100% of the redemption net assets per Unit (less any costs associated with the redemption, including brokerage costs and less any net realized capital gains of the Fund that are distributed to the holder concurrently with the proceeds of disposition on redemption).

In addition, the Units may also be redeemed on the second last Business Day of each month other than, commencing in 2011, in the month of July (each, a "**Monthly Redemption Date**"), subject to certain conditions. Unitholders surrendering a Class A Unit for redemption will receive a redemption price equal to the lesser of (i) 95% of the Market Price of a Class A Unit, and (ii) 100% of the Closing Market Price of a Class A Unit on the applicable Monthly Redemption Date less, in each case, any costs associated with the redemption, including brokerage costs, and less any net realized capital gains of the Fund that are distributed to the holder concurrently with the proceeds of disposition on redemption, being the "Monthly Redemption Amount". Unitholders surrendering a Class F Unit for redemption will receive an amount equal to the product of (i) the Monthly Redemption Amount and (ii) a fraction, the numerator of which is the most recently calculated net asset value per Class F Unit and the denominator of which is the most recently calculated net asset value per Class A Unit. For the purposes hereof, the "Market Price" in respect of a security on a Monthly Redemption Date means the weighted average trading price on the Toronto Stock Exchange (or such other stock exchange on which such security is listed), for the 10 trading days immediately preceding such Monthly Redemption Date and the "Closing Market Price" in respect of a security on a Monthly Redemption Date means the closing price of such security on the Toronto Stock Exchange on such Monthly Redemption Date (or such other stock exchange on which such security is listed) or, if there was no trade on the relevant Monthly Redemption Date, the average of the last bid and the last asking prices of the security on the Toronto Stock Exchange on such Monthly Redemption Date (or such other stock exchange on which the security is listed).

The Fund intends to pay monthly distributions initially estimated to be $0.1198 per month per Unit, representing a yield of 5.75% per annum on the Unit issue price. The initial monthly distribution is payable to Unitholders of record on March 31, 2010 and will be paid no later than April 15, 2010. The first distribution will reflect the period from the closing date in respect of the offering of Units to March 31, 2010.

3. SUBSEQUENT EVENT

(a) The Fund and the Manager have entered into an agency agreement with BMO Nesbitt Burns Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., HSBC Securities (Canada) Inc., National Bank Financial Inc., TD Securities Inc., GMP Securities L.P., Macquarie Capital Markets Canada Ltd., Canaccord Financial Ltd., Dundee Securities Corporation, Raymond James Ltd., Desjardins Securities Inc., Research Capital Corporation and Wellington West Capital Markets Inc. (collectively, the "**Agents**") dated as of January 28, 2010, pursuant to which the Fund has agreed to create, issue and sell, and the Agents have agreed to offer for sale to the public a minimum of 800,000 Class A Units and a maximum of 5,000,000 Class A Units and/or Class F Units at $25 per Unit, respectively. In consideration for their services in connection with the Offerings, the Agents will be paid a fee of $1.3125 per Class A Unit and $0.5625 per Class F Unit out of the proceeds of the Offerings.

(b) As set forth in the initial public offering prospectus dated January 28, 2010, the Fund proposes to issue a minimum of 800,000 Class A Units and a maximum of 5,000,000 Class A Units and/or Class F Units at a price of $25 per Unit, respectively.

CERTIFICATE OF THE FUND, THE MANAGER AND THE PROMOTER

Dated: January 28, 2010

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of all of the provinces and territories of Canada.

BUILD AMERICA INVESTMENT GRADE BOND FUND
by its attorney, Connor, Clark & Lunn Capital Markets Inc.

By: (*Signed*) "W. NEIL MURDOCH" Chief Executive Officer	By: (*Signed*) "MICHAEL FREUND" Chief Financial Officer

On behalf of the Board of Directors of
Connor, Clark & Lunn Capital Markets Inc.

By: (*Signed*) "W. NEIL MURDOCH" Director	By: (*Signed*) "DARREN N. CABRAL" Director	By: (*Signed*) "MICHAEL FREUND" Director

Connor, Clark & Lunn Capital Markets Inc.
as Manager and Promoter

By: (*Signed*) "W. NEIL MURDOCH"
Chief Executive Officer

CERTIFICATE OF THE AGENTS

Dated: January 28, 2010

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of all of the provinces and territories of Canada.

BMO Nesbitt Burns Inc.	**CIBC World Markets Inc.**
(Signed) "Robin G. Tessier"	(Signed) "Michael D. Shuh"
RBC Dominion Securities Inc.	**Scotia Capital Inc.**
(Signed) "Edward V. Jackson"	(Signed) "Brian D. McChesney"

HSBC Securities (Canada) Inc.	**National Bank Financial Inc.**	**TD Securities Inc.**
(Signed) "Brent Larkan"	(Signed) "Timothy Evans"	(Signed) "Cameron Goodnough"

GMP Securities L.P.

(Signed) "Steve Ottaway"

Macquarie Capital Markets Canada Ltd.	**Canaccord Financial Ltd.**	**Dundee Securities Corporation**	**Raymond James Ltd.**
(Signed) "Mike MacKasey"	(Signed) "Ron Sedran"	(Signed) "Aaron Unger"	(Signed) "J. Graham Fell"

Desjardins Securities Inc.	**Research Capital Corporation**	**Wellington West Capital Markets Inc.**
(Signed) "Beth Shaw"	(Signed) "David J. Keating"	(Signed) "Scott Larin"

BUILD AMERICA

INVESTMENT GRADE BOND FUND

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