

CC&L CONSERVATIVE INCOME FUND II MERGER PROPOSAL

QUESTION & ANSWER — MAY 2010



CAPITAL MARKETS

On April 21, 2010 Connor, Clark & Lunn Conservative Income Fund II (“CCK”) and Connor, Clark & Lunn PRINTS Trust (“Prints”) announced proposals that would, amongst other things, change the investment mandate for CCK and merge it into Prints. Prints would then change its name to Connor, Clark & Lunn Conservative Income & Growth Fund (the “Fund”). It is expected that, if the proposals are approved then the continuing fund would offer units to new purchasers. The Board of Directors of Connor, Clark & Lunn Capital Markets Inc. (the “Manager”) recommends that unitholders vote in favour of the proposals.

Why The Proposal Has Been Made?

Change of Mandate

- 1) The changes by the Federal government in the taxation of income trusts have considerably narrowed the universe of available investments for CCK.
- 2) The proposed new objectives provides the Fund’s unitholders with an opportunity for capital growth and income. Connor, Clark & Lunn Investment Management Ltd. has considerable expertise in the proposed new portfolio mandate. They already made the proposed shift in mandate in their High Income Fund in December of 2006. The proposed investment objectives will be to provide unitholders with:

- An attractive yield through receipt of monthly distributions initially targeted to yield approximately 6.0% per annum based on the net asset value of the Prints units;
- Downside protection through diversification across multiple asset classes and a conservative approach to security selection; and
- Growth that outpaces inflation by investing in securities that provide both a high yield and capital appreciation potential.

- 3) The track record for the High Income Fund is outlined below:

	NAV Performance						Since Inception*
	1 Mo	3 Mo	6 Mo	1 Year	3 Year	5 Year	
Connor, Clark & Lunn High Income Fund	4.68%	6.81%	13.91%	46.14%	4.85%	7.07%	13.40%

* March 2001

- 4) As a result of the proposed change in mandate, the equity forward structure that is designed to provide return of capital treatment to distributions is no longer as efficient and will be discontinued. The 0.50% fee will no longer be paid.

Improve Liquidity and Lower Costs

- 1) If the proposals are approved then the continuing fund will have a greater market capitalization and a greater number of units outstanding which is expected to increase the trading liquidity of the units on the TSX.

- 2) The merger is expected to result in administrative cost savings by eliminating the duplication of certain third party costs and increasing the asset base over which fixed costs are spread which is expected to lower the on-going per unit costs of the Fund.
- 3) In May 2012 the Fund will convert to an open ended mutual fund that will provide daily liquidity at net asset value and is expected to provide a lower discount to net asset value in the interim.

Ability to Utilize Tax Losses

- 1) Prints has accumulated significant net capital losses and non-capital losses which are available to be applied against future gains and income with the result that distributions may be paid to unitholders as return of capital.

Will The Merger Be A Taxable Event?

The proposed merger will likely have tax consequences for CCK unitholders because, in order to preserve the Prints losses, the merger will not take place on a rollover basis for tax purposes. The proceeds of disposition will be the net asset value of the CCK units on the date of merger and the capital gain (or capital loss) will be the proceeds less the adjusted cost base of the units.

What Will Be The Distribution Of The New Fund?

- 1) CCK currently pays a distribution of \$.65 per unit or 6.5% of the original issue price.
- 2) The new portfolio mandate has a focus on growth and income. Growth securities typically offer lower yields. As a result, the distribution target will be 6% per annum for the Fund. While this represents a lower yield, the Manager believes that the potential for higher total returns is greater.

Disclaimer: This document may make forward-looking statements and there are risks that actual results could differ materially from forecasts, projections or conclusions in the forward-looking statements. Certain material factors and assumptions were applied in drawing the conclusions or making the forecasts or projections in the forward-looking statements and you may find additional information about such material factors and assumptions and the material factors that could cause actual results to so differ in the prospectus for CC&L Conservative Income Fund II (“CCK”) and on an ongoing basis in the CCK’s management reports of fund performance. The above information should be considered as background information only and should not be construed as investment or financial advice. Further, it should not be construed as an offer or solicitation to buy or sell securities. Investors should read the CCK’s prospectus and continuous disclosure documents available at www.cclcapitalmarkets.com or www.sedar.com, which further describe the risks and fees and expenses associated with an investment in the securities of CCK and should consult with professional advisors before making investments decisions.

Will The Merger Result In Any Dilution?

No. CCK units will be redeemed by CCK in exchange for units of Prints at an exchange ratio (the “Exchange Ratio”) calculated based on the relative net asset value of the units of CCK and the units of Prints as at the close of trading on the TSX on the business day prior to the effective date of the merger. Prints unitholders will continue to hold the same number of units as they held prior to the merger and, because units of Prints will be issued to CCK at the Exchange Ratio, the issuance will not be dilutive. By way of an example, if on the day prior to the effective date, the net asset value per unit of Prints was \$20.00 and the net asset value per unit of CCK was \$10.00, then on the merger an investor with 100 units of CCK, valued at \$1,000 (100 units x \$10), would receive 50 units of Prints valued at \$1,000 (50 units x \$20).

When Will The Merger Take Place?

If approved, the merger is expected to be implemented on or about May 31, 2010.

What Is Needed For The Proposal To Be Approved?

In order to become effective, the proposal must be approved by a two-thirds majority of the unitholders of CCK present in person or represented by proxy at each of the meetings and the proposal is contingent on the approval of the Prints proposal by the Prints unitholders.

Both of the proposals are also subject to the receipt of all necessary regulatory and stock exchange approvals.

When Will The Meeting Take Place?

The special meeting of unitholders of CCK and Prints will be held at 8:30 a.m. (Toronto time) on May 27, 2010 at 1 First Canadian Place, Suite 6300, 100 King Street West, Toronto, Ontario to consider and vote upon the proposal.

How Do I Vote?

If you are a beneficial unitholder and wish to vote in person at the meeting, please contact your broker, dealer or other intermediary well in advance of the meeting to determine how you can do so. If you are a unitholder and wish to vote in favour of the extraordinary resolutions, you should submit a voting instruction form voting in favour of the extraordinary resolutions well in advance of the 5:00 p.m. (Toronto time) deadline on May 25, 2010 for the deposit of proxies. Voting instruction forms sent by Broadbridge permit the completion of the voting instruction form by telephone or through the internet at www.proxyvotecanada.com and www.investorvote.com, respectively.